



Challenge

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letters TO THE EDITOR

*Challenge invites your comments. Address letters to
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Bring on the goons?

• *Economics in Action* [CHALLENGE, April 1957] tells us the AFL-CIO central body "will begin to swing hard at [corrupt] unions and personalities only after Senate investigators have piled up a mass of damning evidence."

This, to me, is a case of locking the barn door after the horse has run away.

Although corrupt unions, labor leaders and union members are in the minority, they have been allowed to operate only because of apathy on the part of the leaders and rank and file of the honest unions, who have turned their backs, up to now, to shady deals and practices by their dishonest brothers.

Bring on the goons!

H. L. GIBSON

Chicago, Ill.

For economic understanding

• I often feel that if I were a qualified writer, I could make some contribution to the understanding of economics. If introduced to the masses in language which could be understood, such understanding would create such wide-scale demand for reforms that the causes of "hair-curling depressions" and wars could be eliminated.

Our capitalist system and free enterprise, big business, Wall Street, and so on, are not in themselves evils or causes of inequities. It is the abuses that accompany them that cause depressions, which lead to wars.

Civilization calls for order; order calls for some regulation, some curtailment of absolute liberty for one to do just as he pleases. If we had absolute liberty without restriction, some people would drive their cars at top speed in the middle of the highway—depriving others of their liberties.

And so in economics. If too great a portion of our national production accrues to a few, they cannot use it; then it begins to back up. And when the pipelines become filled, we stop producing. The masses who depend on daily wages cannot consume. Neither can those who have worked all their lives and saved and invested their savings in the capital stock of the means of production. When production is curtailed, so are dividends. Then the small investors are in the same class as the unemployed—neither can consume. What do we do? We go to war over the world markets. We don't admit that this is what war is about, but in the final analysis, it is.

If we wish to preserve civilization, we must adopt some regulations and/or controls over our economic system. The distribution of the wealth we are capable of producing is all that every person can collectively use. But the means of production must be directed at satisfying the universal needs of mankind.

Unless we of the free countries who still believe in free enterprise and our capitalist system—there must be capital, whether it is called by that name or not—make the necessary changes, either there will be war until civilization is destroyed, or some form of society which we abhor wins.

MARCUS L. DOVER

Louisville, Ky.

He likes us

•Great magazine—one that I shall bind for my library.

MARK TUCCI

Bloomington, Ill.

He doesn't

•Why don't you put out something professional us dummies can make money with, not just stories. I play with dollars, not buttons.

CHARLES C. DODGE

Albany, Wis.

The issue of taxes (cont'd)

•I have read your issue devoted exclusively to taxation [CHALLENGE, March 1957]. It certainly was a unique idea.

However, the feeling comes to me that you have thrown up your hands and said: "High taxes are here to stay."

I disagree profoundly with that! The 73.3-billion-dollar federal budget total (requested appropriation) for 1957-58 was an insult to all taxpayers. In fact, with the 70 bil-

lions of unexpended appropriations the budget is 143.3 billions.

The public is incensed (and rightly), and a determined start can be made. Later the 16th (income tax) Amendment, with the help of Bracken Lee, Dean Manion, and others, can be repealed! Then the states can be supreme, as the Constitution originally intended.

We, the taxpayers, do not want federal aid to education, foreign aid, federal health insurance, Atoms for Peace, money for any UN international projects like GATT, etc.

We want all government bureaus and agencies cut by 25 per cent! Civil Service is not sacrosanct!

It *can be done* and it shall—even if we have to have a third party!

FRANK P. STELLING

Oakland, Calif.

•Commissioner of Internal Revenue Russell C. Harrington closed his interview with the statement: "The Service can contribute to an efficient economy and to the general welfare of the people by establishing and maintaining a policy of fair, impartial and adequate enforcement of the tax laws."

The good Commissioner, however, left out a very important point. How about applying some of this fairness and impartiality to the *writing* of the tax laws, so that the little guy can have something left after taxes—like the big guy who is provided with all sorts of loopholes.

Right now, it's a case of "them that has, gits."

WILLIAM HALLIDAY

St. Louis, Mo.

•Cancel my subscription. You are pro-tax!

C. A. HUHNE

Poughkeepsie, N.Y.

a personal note *from the editor*

*talk about the budget
obscures the tax issue*

RARELY has the federal budget received as much publicity in a nonelection year as during the past four months. The great budget debate, though probably indecisive, was very revealing and educational, nevertheless. The participants and partisans had a field day. And they had an audience always, because they were talking about money. Politics, economics and horsetrading also got into the act. But mainly the talk was about too much money, or too little money. The intensity of the debate attracted attention. People who never before had bothered to look into federal expenditures suddenly discovered that that place known as Washington, D.C. has more departments, more agencies, more bureaus and more of other things which require money to run than they had ever suspected.

Well, this is a big country, and I, for one, do not propose to suggest here that the federal government has become *too* big. What I shall say is that a lot of people for the first time learned that they have a huge government to support. Some recoiled in horror; others decided that President Eisenhower was justified in asking for a "big" budget because the government has a great many things to do. My guess is that neither camp in the budget controversy gained or lost ground because of the public's rediscovery of where the federal government spends its money. No one can, therefore, logically regret the educational consequences of the great debate.

Other good things came out of the budget furor. The bureau chiefs, agency heads and departmental secretaries had to explain, as they have rarely had to do, exactly what it is that they think they are doing and precisely how and on what they intend to spend the moneys requested. Self-justification in public is a very difficult experience, indeed. But it has led to serious soul searching and surprising improvement, in often enough instances, to justify the Congressional relish for putting the boys over the coals. The anti-big-budget wing has proved to the reasonable satisfaction of men of good will everywhere that the government

will not fall apart at the seams (indeed, it will not even rip an important stitch), if in the process of exercising some care a few millions are lopped off here and there. We all know a bureaucrat is tempted, if not consciously to pad his requests for money, then to view the work in his own shop as among the more important functions of government. On the other hand, those who thought the budget should be hacked to pieces found the deed more difficult than the intent. It turned out that many things the federal government wanted to do really had to be done, and that they would cost money no matter how one looked at them as long as they could not be cut out, root and branch.

It is, therefore, plain, to this observer at least, that the great debate over the budget did much to generate interest in and to develop an appreciation for the many sides to a problem which some people in and out of government had seen from a limited or restricted point of view. So far, so good. But something else came out of the budget controversy which is not all to the good. I refer to the frequent references, promises, observations and assumptions to the effect that when and if the federal budget is cut, reduced or otherwise brought under control, the public can expect a cut in its tax bill. Actually, there is very little relationship between a reduction in the federal budget and a reduction in taxes that the public will have to pay. When they talk about a tax cut in Washington, D.C., they are talking about a reduction in *federal* taxes only. The *total* tax bill can remain unchanged. And that is where the rub is.

In 1956 the federal government was collecting 73 per cent of all taxes; while the state and local governments collected only 27 per cent. At the turn of the century the state and local governments were taking 63 per cent of all taxes; while the federal government had to be content with only 37 per cent. There is a suggestion in these statistics that the state and local governments have either been outmaneuvered, or that they have voluntarily subordinated their requirements to the allegedly higher ones of the federal structure. Which of the two suggestions is correct we shall not debate now. But here is something to keep in mind: every tax penny the federal government foresakes from now on is a cent that a lower level of government will want to claim. Too many municipal and state services have been left unattended for too long; we cannot shut our eyes to them forever. Consequently, many people will be disappointed when they discover that reduced federal expenditures do not mean lower "taxes." In this regard, the great budget debate served up a misleading promise.—H.B.



Challenge Notes

Inflation: simple answers to a very complex problem

TO THE “unpolitical” economist (if there is such an animal), this past spring must surely have seemed like the “silly” season.

Rarely have we been treated to so many simple answers to complex questions. Take the problem of inflation. Volumes have been written on the subject, and while we have learned a great deal, no reputable economist would claim that there are any simple solutions to the problem. For the last six months, however, the American public has been deluged with just such pat formulas.

According to one leading financial organization, for example, inflation could easily be halted if every one of us (man, woman and child) were to save a nickel out of every dollar we earn. What *form* these savings of some 14 billion dollars should take was not discussed. Even more important, no mention was made of the other changes that would have to take place in fiscal and credit policy, wage

scales, consumer buying habits, productivity trends and the Cold War if such savings on our part were to prove truly effective.

But then, if we are looking for pat formulas, this idea of setting aside a nickel out of every dollar we earn is no worse than any other that has been made. It does serve to highlight *one* major source of the current inflation: the relative shortage of capital of all kinds.

Similarly, many other proposed “solutions” deal with important aspects of inflation. There is, for example, something to be said for the argument of economy-minded Congressmen that the extent of government spending is inflationary. Obviously, a budget of 71.8 billion dollars tends to be inflationary even in an economy enjoying a gross national product of some 415 billion dollars.

But surely the budget is not the only source of inflation, and few economists believe that budget

cuts alone will enable us to conquer the beast. For one thing, any cuts serious enough to have a deflationary effect could come only at the expense of defense or of services which most of us consider vital. While it might be desirable to shift the cost of some of these services to the states and localities, this would not result in important relief from inflationary pressures. State and local spending, after all, can also be inflationary. To a large extent, moreover, big government budgets are a symptom rather than a cause of inflation, for they reflect the higher costs which government, like everybody else in a period of rising prices and interest rates, must meet.

Clearly, there is more to the fight against inflation than cutting the budget.

Labor costs and inflation

MUCH MORE to the point is a recent report by the Labor Department which shows that while payments to labor have risen 61 per cent in the last 10 years, productivity has risen by only 26 per cent. This means, as the report points out, that "real" labor costs for each unit of output have risen by some 28 per cent. Other costs which enter into final prices—manufacturer's and property taxes, depreciation and profits—

have risen in about the same proportion as labor costs. But since labor costs, on the average, account for 56 per cent of the final price, they are, at least in most industries, the most important single cost item.

These figures do present us with an important (if only partial) explanation of current inflationary pressures. In many industries, of course, productivity increases during the last 10 years have been extremely rapid, and liberal wage gains have been fully justified. A problem arises, however, when these gains spread into other industries where productivity has risen less rapidly. As a greater proportion of our labor force is employed in service industries (where productivity is relatively lower), this will, no doubt, become an increasingly serious problem.

But nobody would pretend that the tendency of wages to increase faster than productivity is the only cause of inflation. A growing economy usually faces shortages of labor, capital, raw materials, etc. These, in addition to our tremendous defense burden, inevitably give rise to substantial inflationary pressures. But if we are to understand these pressures and do something about them, we shall have to come up with something better than the partial answers that have been provided by special pleaders.—M.K.

Labor's Agonizing Reappraisal

by A. H. Raskin

Revelations of corruption in their ranks have led unions to re-examine the social responsibilities of union leadership

SELF-APPRAISAL can be a painful process. But unions are learning the hard way that failure to take realistic cognizance of one's strengths and weaknesses can be even more painful. In the 24 years since the New Deal was introduced, American labor organizations have had a phenomenal growth in size, power and affluence. Wage levels have risen much faster than living costs; a reasonable approximation of full employment has been achieved; billions of dollars in pensions, health benefits and supplementary unemployment compensation are set aside by employers each year to provide fuller security for union members and their families.

Union leaders, who at one time had to bring candles into their offices because they could not pay the electric bills, now rank with

the Rockefellers and Fords as sponsors of philanthropic projects on a global basis. Their views get respectful attention at the White House, whether a Republican or a Democrat holds the lease. Politicians turn to them for money and manpower in federal, state and local elections. Unionists, some of whom never got past grade school, are the recipients of honorary degrees or serve on the boards of trustees of great universities.

Little wonder that labor leaders have felt no need to reevaluate periodically the moral underpinnings of their movement. The present investigation by the Senate Select Committee on Improper Activities in the Labor or Management Field has made it impossible to put off such a re-examination now.

In its scrutiny of Dave Beck, Frank Brewster and other mem-

bers of the high command of the International Brotherhood of Teamsters, the Committee has disclosed the existence within the country's biggest and strongest union of conditions that would have given pause to Jay Gould, Charles Ponzi or any other get-rich-quick adventurer. Available evidence suggests that the union was turned into a grab-bag.

Betrayal of trust

But worse even than the erasure of any line of demarcation between the union's money and the private purse of its officers was the failure of the rank and file to take any corrective action, even after the betrayal of trust had been exposed.

In every major city, sizable numbers of truck drivers and warehousemen voiced in lurid terms their anger at Beck's greed. But invariably they looked to someone else—the Department of Justice, the AFL-CIO or some less clearly defined outside force to bring them deliverance.

The staff of the McClellan Committee is gathering additional material on hookups between corrupt union leaders and equally corrupt employers to establish domination over local industries, freeze out competition and boost costs to the

public. The underworld has turned some unions into vehicles for extortion on a scale unmatched since the days when the Capone mob ruled most of Chicago's labor and Lepke and Gurrah held sway in New York.

The revelations already made, and those still to come, are bound to have a chilling effect on public thinking about unions and the manner in which they conduct their affairs. Unless perspective is applied to the problems of union power and morality, the daily stress on what is wrong with unions can cause the public to call for a meat-ax, instead of a broom, to clean up labor.

The fact is that corruption is no more the norm in labor than it is in industry or politics. What makes it more disturbing than wrongdoing elsewhere in our society is the lack of adequate internal or external curbs to prevent misuse of power.

Obviously, part of the remedy lies in the enactment of laws intended to safeguard union treasuries and welfare funds and to give union members greater control over their unions. But even in this field our quest for legislative panaceas operates against a dreary background of past failure.

The Taft-Hartley Act, now nearing its 10th anniversary, has scores of provisions aimed at guaranteeing full responsibility in

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the administration of union finances and at bulwarking union democracy. The record of the Senate hearings is eloquent testimony to their inadequacy. To be effective, new laws will have to establish some meaningful enforcement yardsticks. They will have to insure that financial reports really allow the members and public to know what is going on.

Piratical elements

Even more depressing is the history of community efforts to bring honest unionism to the New York-New Jersey waterfront. Outraged by disclosures that piratical elements in the International Longshoremen's Association had built up a racket empire behind the bulkheads of the Port of New York, federal and municipal governments joined with state authorities in trying to smash gang rule. The bona fide labor movement ostracized the pier union. The end result was nil. The ILA, unregenerate and unbroken, still flies its Jolly Roger over the Port of New York.

The most disquieting aspect of the Beck disclosures has been the absence of any discernible moral indignation among his associates in the high command of the Teamsters Union. Happily this same complacency toward crime does not exist in the upper echelons of the AFL-CIO. There never would have

been a merger if such crusading leaders of the CIO as Walter Reuther, James B. Carey and Jacob S. Potofsky had not been convinced that their ardor for clean unionism was matched by George Meany, David Dubinsky, George M. Harrison, Albert J. Hayes and other chiefs of the AFL. Historically, the federation had been the seat of corruption in trade unions, just as the CIO had been the focus of Communist influence until it used the surgeon's knife to excise the left-wing unions in 1949 and 1950.

Inevitable complexities

The unification of the rival labor organizations in December 1955, was viewed by both sides as a device for a concentrated attack on racket penetration of certain key unions, notably the Teamsters. The inevitable complexities, personal and organizational, of fitting together structures that had spent 20 years in guerilla warfare slowed the attack on the racketeers. But it was in full progress well before Senator McClellan and his chief counsel, Robert F. Kennedy, led their forces into battle.

To a certain extent, however, this battle against corruption has been conducted in a vacuum. It is an operation from the top directed against other forces at the top. There has been little sustained effort to involve the rank and file

or to improve the avenues for rank-and-file expression. This divorcement of leaders from members is in many ways an even more fundamental problem than the rooting out of crooked elements.

When unions grow into the million-member class, it is hard for the decision-makers to maintain intimate contact with those whose economic well-being the decisions control. The international president of a giant union becomes part of a bureaucracy in the same manner as the head of a billion-dollar corporation.

This is not to say that there is burning eagerness on the part of most union members to exercise greater direct influence over their leaders or their organizations. On the contrary, in unions like the United Automobile Workers, where a conscientious attempt is made to interest members in the day-to-day affairs of the organization, apathy is almost as pronounced as it is in unions that go for years without a membership meeting.

But there is a delusive quality about much of the atmosphere of our surface contentment that hangs over our mass unions. That was made clearly apparent in the results of the referendum held in February among members of the United Steelworkers of America. More than 600,000 unionists exercised their franchise in the selec-

tion of officers for the next four years. They voted in a period of capacity production, shortly after the negotiation of a three-year, no-strike agreement that gave them bigger benefits than workers in most other basic industries. Yet more than one-third of the members voted against their president, David J. McDonald, in favor of a rank and filer unknown outside his own mill before the election campaign began.

Team up this result with the rejection of proposals for higher dues in two other international unions, the Machinists and the Printers; the bleak results of union-organizing drives and the scant success unions have enjoyed in recent National Labor Relations Board elections. What seems to be needed is a process of reorganizing the organized in many big unions. There are too many members who are reluctant captives under the union shop or the inertia of an affiliation that long ago became a habit.

Broader goals needed

In a prosperous welfare state, where good jobs and good pay are taken for granted, bread-and-butter achievements tend to lose their allure. Unions need broader goals to excite the enthusiasm of workers. Too little attention is being paid these days to one objective that was at least as potent a spur

to union membership in the formative years as the desire for stable employment and a fatter pay envelope. That is respect for individual dignity.

Workers enrolled in unions to escape from the sense of degradation involved in being part of the machinery of mass industries at the mercy of bosses who put profits ahead of human values. Now management is learning its personnel policies at the advanced centers of study of our leading universities, with post-graduate seminars at the American Management Association. The accent is being put on making the individual feel important in his own right. No similar emphasis is discernible in many unions. For every union official concerned with the individual worth and dignity of his members, there is at least one who embodies the autocratic tradition of Simon Legree. The dues window is open but the office doors are locked in scores of union offices all over the country.

Normal human reluctance

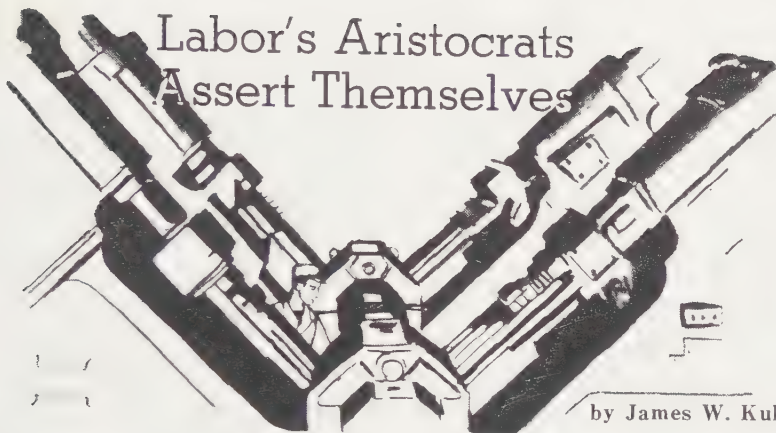
The chief dividend that labor and the country are likely to derive from the present clamor over malpractices in some unions will come from the process of re-examination to which even the smuggest union chiefs are now subjecting themselves. Whatever can be gained from new laws will

be far outweighed by the benefits of such stock-taking. For most of our labor leaders are men of integrity, intelligence and social vision, suffering from the normal human reluctance to do any serious thinking until it becomes absolutely necessary.

New responsibilities

Heavy new responsibilities confront labor in dealing with automation, inflation, the shorter work week, the fruitful application of leisure time and the use of union resources for community betterment. Unions already have pioneered in the construction of housing, hospitals and recreation areas. Sixty thousand unionists are serving on the boards of charitable agencies, once the exclusive province of Lord and Lady Bountiful.

The future reaches of such ventures in a better life for all citizens are limitless, once unions fully accept the notion that their function does not end at the bargaining table. The merged federation is dedicated to the proposition that labor must go forward with the community, not at the expense of it. The current soul-searching at all levels of union leadership may speed the day when that sentiment is translated into actuality in relations with industry, in the internal conduct of union affairs and in contacts with the body politic in all its manifestations. ■



After losing ground for a half-century, skilled workers are demanding a fuller recognition of their right to substantial premiums

A RECENT decision of the United Automobile Workers signaled an important change of fortunes in the position of skilled workers in our industrial unions.

Last April, the UAW gave its skilled members more autonomy and a greater voice in the negotiation and administration of contracts. This revolutionary shift seems to indicate a change in the union's character. It appears to be developing into a concentration of craft groups and industrial locals from the "one big union" of industrial workers, cooperating for the general interest. Their new position will give UAW's skilled members more power to resist the steady reduction in skill and wage differentials.

The action of the auto workers

was one of a number of incidents indicating a new assertiveness on the part of the "aristocrats" of labor. In the steel contract of last summer the range between minimum and maximum hourly rates was widened by three-tenths of a cent. Actually, the workers in the highest skill classification got an hourly raise that was nine cents better than the 7.5-cent general steel increase.

In February 1956, the International Harvester Company agreed to a general wage increase of 11 cents an hour, with extras up to 18 cents an hour for skilled employees. Skilled Willys workers won wage increases of up to eight cents an hour, while the rest of the workers got no increases at all.

The cumulative effect of the

changes has been impressive. In the past four years, about one-third of all major wage agreements have dealt explicitly with wages for skilled workers. Unions in farm equipment, autos, steel, electrical equipment and pulp and paper have been winning more wage benefits for their skilled members.

Temporary reversal

These moves appear to signal at least a temporary reversal in the historic trend towards the narrowing of skill differentials. The nationwide margins for skilled workers were 105 per cent of the unskilled rate in 1907; they were only 37 per cent in 1953.

Had the unions previously ignored their skilled workers in the pursuit of an egalitarian wage policy?

Superficially, there does seem to be a connection between union activity and narrowing pay differentials. Unions were organizing workers and pressing their wage demands most strongly during the two World Wars and the last post-war period. It was precisely during these periods that the differentials were most reduced. It is also true that occupational wage differences are smaller in highly unionized industries than in less well organized industries. Thus, the poorly organized South has the widest skill margins, while the

Far West, the most highly organized region in the country, has the narrowest margins.

On the other hand, there is no evidence that unions have deliberately ignored the interests of the skilled workers. Election to union office is easier for the skilled members, who enjoy representation on union councils far out of proportion to their numbers.

Other factors tending toward an egalitarian wage policy should be studied before concluding that the unions are responsible. Powerful economic and social forces have been at work, giving rise to basic changes in the nature of jobs and the supply of skills. Mass production has come to dominate manufacturing and workers actually require little skill for the more "specialized" jobs. In auto assembly, for example, workers can learn to do 75 per cent of the jobs in three days or less. Only about 25 per cent of assembly workers receive incentive pay.

The garment and hosiery industries are a sharp contrast with their gamut of highly developed skills and much greater wage differentials.

We must therefore look even beyond mass production because the decline in differentials has taken

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place throughout industry. Two very important nationwide factors were the minimum wage laws and the steady inflation. The minimum wage raised the floor without affecting the ceiling, and inflation made across-the-board increases popular. Such increases meant larger percentage gains for the unskilled workers.

Why did the skilled employees permit the differential reductions to be made? The answer to this question will also help us decide what responsibility, if any, the unions themselves must bear in the reduction of differentials.

Mechanical resourcefulness

In the first place, the term "skilled worker" has changed in meaning. The mechanic of 50 years ago spent many years as an apprentice and brought to his job a mechanical resourcefulness which he applied on his own initiative. Today's mechanic learns his trade in a comparatively short time, specializing more narrowly and working under close supervision. The engineer of today might correspond most closely to the skilled men of the early 1900s, but he is classified as a salaried employee. This illustrates another fact: to a certain extent skills have climbed out of the union labor market. With engineers nowadays doing many of the functions that once belonged to the skilled workers,

part of the justification for demanding sizable differentials for the modified type of skilled workers was lost.

For union labor, however, the relative supply of unskilled workers has declined, while technological progress has increased the job requirements for the unskilled; the opposite has been the case of skilled workers and jobs. Sources of unskilled labor—farms, immigration and child labor—have been drying up. The rising educational level has increased workers' capacities at the same time that skill requirements were being leveled. Thus it was easy to train skilled welders and aircraft mechanics during World War II through short, intense training courses.

When faced with a shortage of skilled workers, employers simply downgrade skill qualifications and upgrade the pay of semiskilled men. If carpenters are in short supply, a firm may well pay journeymen rates to workers whose competence lies only in their ability to drive a nail straight. Such a policy avoids labor piracy and a useless bidding up of rates in a tight labor market. Thus there is no need to increase wages generally. The new "skilled" workers are the only ones to get higher pay, and they can be downgraded when the demand for them slackens without the union resistance that would greet an across-

the-board wage reduction.

Here then we have a plausible explanation of the decline in skill margins. First, there are today relatively fewer unskilled workers, and unskilled jobs require more of the worker, with the result that unskilled wages are bid up. Second, our higher educational standards have led to a greater supply of skilled workers at a time when the higher skilled jobs have become increasingly simple. Rather than hire highly paid skilled workers, many companies have sought, by means of in-plant training, to upgrade semiskilled workers. This in turn has created shortages of semiskilled and unskilled workers, forcing employers to bid up their wages in order to attract new entrants into the labor force. In this way, the wages of unskilled and semiskilled workers have been increased by a considerably greater proportion than those of skilled workers.

Barriers to advancement

The example of the South is a further confirmation of this process. The generally lower educational level and the barriers to the advancement of Negroes limit the possibilities of upgrading. Thus the South has relatively more unskilled and fewer skilled workers than the North in relation to the demand for workers. The result is mirrored in the wage

rates: the skill differentials are greater there than in the North.

Why have the skilled workers only recently protested their declining margins? Have there been any changes in their situation that might explain this new concern?

Perhaps the speed of change in skill margins has aroused them, although our data are neither accurate nor comprehensive enough to shed much light on this aspect of the problem. Skilled workers may accept a gradual reduction of differentials, although the changes mount up to a profound difference.

Rapid changes may provoke sharper reactions. The situation of the past few years corresponds more closely to the latter situation. Thus wages were rapidly eroded by inflation and increased disproportionately by across-the-board rises. It was also easier for the skilled workers to develop opinions on what was happening, since jobs and rates could now be compared because of a wider use of job evaluation plans. When the workers have unions through which they can make effective protests, they are in the position to react as they have been doing in the case of the UAW and the others cited above.

This suggests, then, the answer to the question of union responsibility for the reduction of wage differentials. It seems likely that union organization has actually

enabled skilled workers to maintain greater skill margins than would otherwise have been possible. The recent union moves to increase the differentials support this argument. The actions would seem to indicate that the skilled groups have become aware of the amount of ground they have lost, and of their new strength. It is clear that they are developing the use of their full leverage within the industrial unions to improve their position.

Few objective standards

It is true that we have few, if any, objective standards by which to judge the adequacy of skill margins. Still, wages for different occupational skills should be sufficient to induce enough workers to invest their time and their ef-

fort in the necessary training.

Actually, skilled workers could further strengthen their position in the production process itself. In general, there is no serious shortage of their skills, but there is a great lack of trained people for positions just above theirs—technicians and engineers. Industry has failed to promote skilled workers but rather used engineers wastefully in such jobs. Skilled workers could take over much of the routine, technical work if they had the training in mathematics, electrical theory, chemistry and physics. The engineers would be released for the more complicated functions in which their capacities would be fully used. The skilled workers might then truly justify the greater wage differential they are now seeking. ■

Semi-skills Must Be Converted To Skills

THE NATION'S need for highly trained people is growing steadily. Indeed, the very existence of more college graduates in the working population makes it increasingly necessary for workers in clerical and administrative occupations to have a college education—merely to compete for jobs. Motives will become stronger as publicity on shortages in various professions intensifies and the value of college education is emphasized. Financial aids for students are becoming more numerous. To these pressures for more college graduates, an increasing urgency is added by the need to provide a growing force of scientists and engineers for research and development programs related to national defense and private industry. Private industry performs about two-thirds of all research and development conducted in the U.S., employing about 550,000 scientists and engineers. Current shortages of scientific and professional workers could be *eased* if more skilled workers and technicians were trained and a great deal of the work now done by professionals were transferred to them.



The Value of The Printed Word

AMERICA 1975

SERIES

The importance of the printed word is not likely to be diminished appreciably by the electronic gadgets of the future

by John Tebbel

IF THE theater will be good enough to move over a little, another fabulous invalid would like to occupy that luxurious couch reserved for art forms imminently expected to depart this life. True, the printed word looks healthy enough at the moment, but it is easy to find any number of qualified observers who are ready to predict that television will be dancing on its grave by 1975, if not before.

While the prophets have been rending their garments, for pay if possible, and distributing sackcloth and ashes with melancholy enthusiasm, the following events have been taking place: (1) newspaper circulation and readership have been going up steadily; (2) the number of book titles published annually has increased by more than two thousand in the last five years; (3) library figures

show that the reading of books is actually increasing even among the young, who are supposed to be the hopeless and helpless victims of television.

Not that all is sweetness and light in this particular corner of the communications business. Magazines, especially, are vulnerable to the commercial competition of television, and they are having a rough time, which may well become rougher. Newspapers are slowly being pushed into a financial corner, but their difficulties can, and I think will be, solved by pending mechanical developments. The book business has been "dying" nearly as long as the theater, but something stronger than the foolish optimism of tradition denies the notion that people are going to stop reading books.

The printed word, in brief, may

undergo some overhauling between now and 1975, but it isn't going to disappear into the maw of an electronic juggernaut in that or any other year. As a prophet with a vested interest in the accuracy of his prophecy, I hasten to bolster this forecast with reasons.

Words are, first of all, the basis of communication, except for music and art, where they may be adjuncts. What changes is not the fundamental ideas that words express, but the manner in which words are transmitted and received. Primitive man, speaking of love and hate and fear and the other basic forms of human reaction, used speech because it was the only medium he possessed. Later he learned to transmit the same elements in increasingly more complicated forms—in speech translated into written words, in the patterned speech of drama, in song, and in the wordless context of art, which nevertheless calls up reactive words to the mind of the beholder.

We have improved our methods of transmission tremendously in this century with the invention of the motion picture, the phonograph, radio and television. But what are these magic devices

transmitting? They tell us stories. They give us information. Words, for the most part, are used in the same basic patterns developed from the time of early man. We have simply multiplied and wondrously improved the *means* of communication.

By so doing, we have created a difficult problem at the receiving end. For centuries the printed page has been the dominant means of communicating, aside from speech, but now it must compete with both visual and aural media. The clamor for man's attention verges on the frantic these days.

Nineteenth century communication could be divided, in general terms, between conversation and reading. In this century, we hardly have enough time to keep up with all the media of communication available to us. Few citizens can read the newspapers and magazines thoroughly, keep up with the new books, go to the movies and watch television, while filling the possible intervals of silence with background music from phonograph or radio and overlaying the whole with conversation which nothing seems to interrupt.

In the face of these pressures, something has to give way, and lately it has seemed to be the printed page. But I respectfully submit that man will continue to divide his attention among communicating devices as they happen

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to appeal to his fancy, but that he will always return to the printed page because it gives him something none of the others can provide.

Take, for example, the transmission of news. For years we have listened to the news on the radio, every hour on the half-hour or the hour. But frequency and immediacy on radio have not reduced the number of newspaper readers; quite the contrary. Why? Because the newspaper reader has the freedom to select what interests him, and he can reflect on what he reads, pausing if he chooses, rereading if he likes. Because, too, the newspaper also entertains while it informs, and it provides a depth interpretive comment and perspective which are impossible on radio.

Admirable supplement

Similarly, television news is an admirable supplement to newspaper reading, but no one pretends, even in the television industry, that it is better than reading a newspaper. Indeed, the news-gathering facilities of newspapers and wire services are indispensable to both radio and television.

Technological development in the graphic arts has been incredibly slow. Before the great breakthroughs of the early nineteenth century, there had been no major changes since the fifteenth cen-

tury. Today we stand on the verge of new mechanical developments which, by 1975, should not only solve the financial difficulties of newspapers in the composing room, where much of the money is lost, but will also create synthetic paper. Such paper will mean freedom from the cruel economic pressure of the present forest merchants. Together with electronic composition machines and new presses, it will enable newspapers to lift themselves to the quality level of magazines.

This imminent technological revolution in the printing business will also profoundly affect books, an industry beset by much the same kind of mechanical troubles. The worst problems of the book industry are in manufacturing and distribution. Technology will solve the manufacturing problems, one hopes, before 1975. But distribution is a different matter. The retail bookseller has had to diversify his operation to survive at all; in the next 20 years books may turn out to be an even smaller part of his business as the chief outlets become supermarkets and similar shopping center establishments.

For unlike some gloomy seers, I foresee a tremendous increase in book reading when the leisure of automation and the four-day week (or less) is fully upon us. Those who predict that we will be trans-

fixed most of the time by our television screens ignore, I think, several important considerations. One is the attention span of the average individual, which television is not likely to increase simply because there is more time to look at it. Even now most viewers feel the urge to look at other things, including books, and in fact, such studies as have been made show that people have already learned to discriminate, to split up their leisure among television programs they want to see, newspapers they want to peruse, books and magazines they want to read.

Function of words

Another factor is the continuing rise in the general educational level of the country which will impose new demands on our communicative media. To believe that television will be able to meet most of these new demands for information and higher level entertainment is to overestimate TV's capabilities.

We come back to the function of words, to their basic quality of communication. If all the people who create with words, either in fiction or fact, were to devote their total energies to television, the medium could not begin to absorb their work. All of them will not, of course, because a great deal of creative work can only be done with words. Without this original

work in words, television and motion pictures could not exist today, any more than they could in 1975.

Nor will reading tastes change materially, in my opinion. They have not changed basically since man began to talk. Tell me a story. Give me the facts. These are the two demands which remain constant while form and method change. Sometimes we are in an era of storytelling, and serious people deplore the superficiality of the populace. At another time, as now, the balance swings and information is what people want most. I predict just as confidently that in 1975, and for a long time thereafter, people will be reading both fiction and nonfiction.

Books and newspapers, I think, will remain the chief interpreters of man to himself in 1975, as they are today—and especially books, because their compass is so much greater than any of the other media. Television will be a prime entertainment medium, competing with novels and movies, but it will not be in the business of making people think and reflect and understand things, unless it undergoes a far more radical transformation than now seems possible.

This is the factor that will save magazines—at least some of them. Television affects periodicals directly in two ways. One is the competition for the advertiser's dollar, which is more severe for

magazines than for newspapers. The results of this competition are already sadly evident. In the case of the big consumer magazines, which are reaching the same market as television, the advertiser's dollar will not stretch adequately over these two expensive media, plus newspapers. That explains why established magazines with millions in circulation nevertheless fail to gain the advertising necessary to balance increasing production costs, and have to quit. When color television is firmly established, it will unquestionably hurt, perhaps fatally, a good many other consumer magazines.

The mass magazines also compete with television as entertainment media, again in a way that newspapers and books do not. Much of television's audience is thus gained at the expense of the periodicals.

Fortunately for the magazine industry, however, only about two thousand of its approximate seven thousand products are primarily entertainment or mass media. Most are business and industrial maga-

zines, or periodicals which reach similar specialized audiences, and television can never begin to do the job for their readers which they do. How, for example, could television replace a magazine like the one you are now reading? Or the *Journal* of the American Medical Association? Or *Iron Age*? Or a business' house organ? These and thousands of others will certainly survive and prosper.

In sum, the survival value of words is extremely high and not likely to be diminished appreciably by the electronic gadgets of 1975. The leisure that these gadgets will bring us, however, imposes a formidable duty upon the printed word. In all its forms, it will be called upon to make that leisure meaningful by opening the vast world of human experience, past and present, for the benefit of countless millions who will be learning of it for the first time. What they learn may well determine whether the uses of the new technology will lead men to a still better life, or to the eclipse of all experience. ■

The Decline of Personal Journalism

IN THE 20th century, the average American is less and less influenced by newspapers. Journalism has become less a vehicle for the editor's personal views and more and more a commercial venture. The influence of such editors as Greeley, Raymond, Bennett, Bryant, has not been inherited. Various newspapers continue to have their special characteristics. But the tendency has been to grow more alike and to become impersonal, like-minded business enterprises. News-gathering facilities have improved. Newspapers have improved in appearance. Their political influence has declined steadily.

With the increasing emergence of sovereign states on the African continent, major world powers are reevaluating their foreign and economic policies

SPOTLIGHT ON AFRICA

by Egon Kaskeline

WHEN Dr. Nnamdi Azikiwe, Nigeria's Prime Minister, visited the United States some months ago, he was most cordially received. But at a Washington dinner party in his honor, State Department officials were red-faced when the presiding Undersecretary of State complimented him on his good work in the Gold Coast.

Such embarrassments are not likely to occur in the future, for Washington has become acutely "Africa-conscious" in recent months. The State Department's African desk, once a minor department in our Foreign Office, has been completely reorganized and enlarged; a new Assistant Secre-

tary of State for Africa is about to be appointed; and many new consulates have been set up throughout Africa. Vice-President Nixon's recent extensive African tour put the official seal on America's rapidly growing interest in that continent.

The fact is that after centuries of political obscurity, Africa is entering world affairs as an active partner, although no one can yet foresee with what ultimate effect. Will Africa accept the guidance of the Western democracies and de-

velop free political and economic institutions or will it turn to the Soviet bloc and adopt collectivist and authoritarian institutions? Will the Africa of tomorrow be split into numerous isolated nationalities or will the new nations join hands and seek to develop a new intercontinental community? At present, no one knows; because political, economic and social institutions are still at an early stage of development.

Political change

At this time, the most predictable change is political: the abolition, or at least transformation, of the European colonial systems. At the end of World War II, there were only four independent nations in Africa: Egypt, Ethiopia, Liberia and the Union of South Africa. Since then, five more have been added—Libya, Tunisia, Morocco, the Sudan and Ghana (the Gold Coast). And Nigeria will join their ranks at the end of this year.

Moreover, the status of those African territories which are still under colonial rule is changing rapidly. France has granted far-reaching local self-government to her colonies. Even the Belgians, who have been most reluctant to grant political rights to the Congo, have begun to organize "territorial councils" with African participation. In the not-too-distant future, most European colonies in Africa

will probably gain their sovereignty, and this is bound to have a profound impact on world developments. Economic and social changes are also under way, and these too will have an effect on the world at large.

Despite a wealth of natural resources, Africa has been, until now, the disinherited stepchild among continents. Annual per capita income has been the lowest in the world—40 to 50 dollars a year south of the Sahara Desert. Four-fifths of the population still leads a substandard existence, undernourished, disease-ridden and with the world's shortest life-expectancy.

But while Africa is still largely undeveloped, it produces 98.4 per cent of the world's diamonds, 80 per cent of its cobalt, 57.7 per cent of its gold and other minerals. Its plantations grow 70 per cent of the world's cocoa and more than half the world's palm oil and sisal (a rope material).

At the moment, Africa's primary need is for more capital and a larger trained labor force so that she can expand her industrial and agricultural output. Today more than half the population still lives in a closed subsistence economy which produces exclusively for the isolated village or tribe, al-

Egon Kaskeline has contributed many articles to CHALLENGE dealing with economic problems abroad.

though Africans are entering the commercial centers in increasing numbers. This is especially noticeable in the Belgian Congo, which has the greatest number of African skilled workers, engineers and technicians or experts in many other fields.

But things have begun to change—especially now that the big powers are offering a helping hand. Countries in need of Africa's natural resources must reckon with Africans who increasingly refuse to be taken advantage of. African leaders, especially those in the newer independent nations, generally agree that foreign assistance is essential in developing their continents resources and improving their peoples' standard of living. Most of them want the representatives of highly developed foreign nations to stay, *provided they cooperate with Africans as equals.*

A common policy

These leaders are very conscious of their bargaining power, and they are naturally eager to get the best possible terms from the world powers competing for their allegiance. They are trying to force a common policy among African nations, to develop their natural resources, promulgate a new investment policy and set up a charter of social legislation for African labor. It was with this goal in view

that Ghana's Prime Minister Kwame Nkrumah recently called for a Pan-African Conference of independent African nations.

But Africa's leaders know that they cannot do these things alone. To whom should they turn? Because of America's historical tradition of anti-colonialism, they feel a common bond with Americans, although they have serious reservations about our failure to solve our domestic discrimination problem. They may call upon America to play a crucial role there. On the other hand, like most of the other young nations of the world, Africans do not want to be drawn into the Cold War. They are basically "neutralist."

In any case, American policy for Africa is not yet clearly defined. All that can be said is that Washington favors an early end to colonial rule, and that we are ready to extend help to countries which desire it. Over half a billion American dollars have already gone into Africa, either directly, through Point Four technical assistance and Export-Import Bank or World Bank loans, or indirectly, through Marshall Plan aid re-invested in Africa by European colonial nations.

Recently, there has been talk of a "Little Marshall Plan" for Africa, but Congress has become more and more hesitant to increase foreign aid spending, and there seems

little likelihood that anything will come of it in the near future. Besides, there are complications with our European allies. To take one particularly delicate case, Washington can hardly grant substantial loans to Morocco or Tunisia at a time when France is putting economic pressure on them to prevent their helping Algerian rebels.

Private investment

Private American business, on the other hand, is increasingly involved in African development. Trade with countries south of the Sahara has increased by 80 per cent since the end of World War II, and private investments, especially in the Union of South Africa, have tripled in the last 15 years.

American business has become a major partner in the mining industry. Today, American capital, mostly in combination with British interests, is working numerous gold, copper and other mines in South Africa, the two Rhodesias and, to a lesser extent, the Belgian Congo and former French North Africa. And, of course, the U.S. buys 90 per cent of the Belgian Congo's uranium. More recently, American firms have become increasingly interested in developing a market among Africa's 200 million inhabitants. Almost 200 American firms are already established in the Union of South Af-

rica, which is developing into the industrial center of the continent.

But in spite of increasing American involvement, the great colonial powers of the past (Great Britain, France, Belgium, Spain and Portugal) still have the greatest vested interest in Africa. Although three-fifths of all Africans live under their rule, these powers are today on the defensive. They are trying to evolve a new approach which will enable them to hold their own against the rising tide of nationalism.

The Eurafrica Plan is perhaps the most interesting move in this direction. At a meeting of Foreign Ministers this February, six nations of Western Europe—France, West Germany, Italy, Belgium, The Netherlands and Luxembourg—agreed to pool their resources for big public works projects. The French colonies will receive over four-fifths of the half-billion-dollar fund, and in return their markets will be opened up to non-colonial members like West Germany. Hand in hand with a five-year public works plan will go a gradual scrapping of colonial customs, tariffs and import quotas. Also, member nations will increase their purchases of raw materials from Africa and develop sales of their own products in the colonies.

Will the leaders of the African nationalist movement accept this view of Africa as a geographical

and economic extension of Europe? The chances are they will not. This is probably the reason why Great Britain has not joined the Eur-africa project, for Britain intends to *transform* her colonies into independent members of the Commonwealth.

The Soviet position

Yet it is the Soviet Union which may become the principal beneficiary of any such attempts to sustain colonialism. Moscow has already taken advantage of Arab nationalism to establish footholds in Africa, especially in Egypt. For the Soviet Union has taken a sudden interest in Africa, as can be seen by the vast African literature published since 1953, primarily by the Soviet Academy of Sciences' special African Department; by the many Soviet scholarships for African students to study at Soviet scientific institutions; and by the prominent display of African delegates at Communist-sponsored gatherings. The Communist bloc's

much-publicized foreign aid program has been extended to Africa, with Egypt as the main recipient, but so far it has been mainly in arms and military equipment. Soviet aid offered to Libya and the Sudan has so far been declined.

In spite of this, there is little evidence that the Communists intend to participate in the real reconstruction of Africa. They clearly seek to use African nationalism against the Western coalition, and thoughtful Africans know this. Except in the Union of South Africa, Egypt and Algeria, Communist parties have failed to win any foothold in Africa.

Odds in Africa still favor the West. We shall have to act with intelligence and despatch if we are to *retain* Africa's confidence. Weaknesses in the West's African policy will be skillfully exploited by the Communists; they are now riding the *apartheid* issue in South Africa. If we are to avoid a crisis in Africa, we cannot act too late with too little. ■

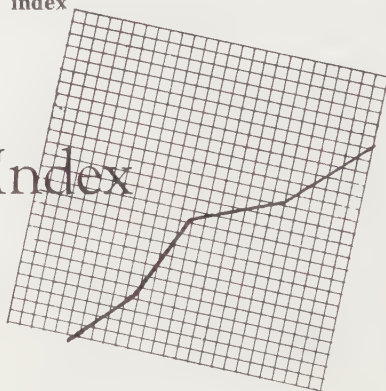
South Africa's Expanding Newsprint Market

PINE PLANTING and a rising literacy rate promise soon to provide a thriving newsprint industry for the Union of South Africa. It is hoped production will reach 30,000 tons a year by 1960, thus supplying more than 40 per cent of the Union's needs and reducing imports by as much as £2,000,000 (\$5,600,000). Pine plantations are a growing industry in South Africa, due to a combination of low labor costs and extremely rapid growth. The Union imported 50,000 tons of newsprint in 1953. It expects to need 70,000 by 1960. Pine strippings are counted on to fill this demand. The finished lumber will go into construction and mining. Nature replaces the crop at a rate exceeded only by plantations in New Zealand.

Finland provides a classic example of what can happen when all wages are officially pegged to a cost-of-living index

Economy-by-Index

by Mitchell Gordon



WHAT HAPPENS when a nation ties its economy too closely to a cost-of-living index?

Little Finland—the one free nation on Russia's European frontier—can answer that question only too readily. For the past 15 years, this northern land of four million people has inextricably linked the wages and income of practically *all* her workers—organized and unorganized—to the official cost-of-living index. Farm income is also subject to the fluctuations of this economic barometer.

For every five-point rise in the cost-of-living index, Finnish "labor"—including civil servants and public officials right on up to the Prime Minister—is automatically entitled to a wage boost of predetermined percentage. (Provisions have also been made for wage cuts in the event of an index decline,

but they are computed on a relatively less severe basis.) Farm income fluctuates in a similar manner by means of increases or reductions in government food subsidies.

This artificial adjustment of the economy was initiated as an "emergency" measure in 1942—shortly after the Finns had resumed war against the Soviet Union in an attempt to regain lands lost during the winter war of 1939-40. When the fighting ceased, in 1945, the procedure was abolished. But only two and a half years passed before the Finns decided to summon index adjustment back to cope with inflation that had raised prices by more than a third.

This was to be a "temporary" measure. But it lasted more than two years—from October 1947, to January 1950. It was quickly restored in May 1950, on the eve of

a threatened strike that would have paralyzed the nation; it has been in effect ever since.

As a result, most prices and wages are today tied to this one statistic—the cost-of-living index. Actually, the index which is intended to govern the level of wages and prices is, in turn, governed by them. The result is a sort of ingrown interdependence that makes for inflexibility and inflation.

Finland's experience with this wage-index tie follows a pattern that is being repeated with striking similarities in other nations—especially in France, which has only recently begun to follow in Finland's footsteps.

This pattern is as clear as it is absurd. Instead of prescribing basic economic surgery—such as trimming government expenditures and raising discount rates to limit the expansion of private credit—a government resorts to an artificial device to cope with inflation and worker discontent. Thus, there is an attempt to disguise a nation's economic cancer with an emergency remedy that is far from effective during peacetime, when the government's wartime price and wage controls have been discontinued.

First, a formula is fixed upon. In October 1951, the formula was

Mitchell Gordon, staff reporter with the *Wall Street Journal*, recently returned from assignment in Europe.

based on an index number of 100 (1951=100). When it rose to 105, the wages of more than one million of the nation's 1,600,000 workers were to be raised five per cent—but only if the five-point increase held for at least three successive months in the same calendar year. The effect of such a safety clause is to pervert economic forces. The index rises because the underlying inflationary forces have not been altered; indeed, they are encouraged by the very "controls" intended to suppress them. Finnish prices today are nine times higher than the prewar level.

Since so many people's income is affected by what happens to it, the cost-of-living index naturally becomes a political football. Tremendous pressures are exerted on the government: people with bonded interests to protect, for instance, want the index kept low; labor wants to see it go higher because that would mean a rise in wages.

As the index starts its rise, politicians become increasingly nervous, nervous enough to "purchase index points," as the antidote is known in Finland. For example, in 1952 the government abolished the 20 per cent sales tax on all textiles not in the luxury class. Since these taxes were included in the cost-of-living index, their repeal, together with other deflationary

factors at work following the Korean war scare, helped to slow the index's climb.

Political finagling, however, can take many forms. For example, government subsidies in Finland are not included in the cost-of-living index. Thus, in 1953, butter subsidies were increased, while retail prices were lowered. As a result, the index went down—and the farmer was kept happy because his receipts did not suffer. In 1957, the French government used this same device when it assumed street cleaning and waste collection costs previously paid for by local taxes included in the index.

It would seem that the politicians could go on assuming first one, then another, and in time, perhaps all of their constituents' tax burdens for the purpose of keeping the index low.

Crucial problems

But two crucial problems result from this situation: first, government costs rise; and, second, workers are discontented. To supply increasing subsidies, the government must raise taxes or borrow, thus further stimulating inflation. Meanwhile, however, workers feel they are being cheated out of long-overdue wage increases. Such were conditions in Finland by the fall of 1954.

In July 1954, the index had

reached the critical 104-mark. It hung there through August and September. Exasperated trade union leaders decided to hold their patience until the middle of October, believing that the new figure was bound to go over 105 because the index would be revised to include the level of rentals and sales of the previous year's costlier construction.

Nevertheless, when the statisticians worked out their fatal sum, the index came to just 104.75—a quarter of a point below the wage-boosting mark. Amid charges that more jiggering would have provided the extra quarter of a point, union leaders threatened a nationwide strike unless the index was allowed to reach 105, or was pushed back to 100 by November 1. The threat was serious enough to bring down the government of Ralf Torngren, leader of the minority Swedish Peoples party and a coalition of non-Communists.

Under the leadership of Urho Kekkonen, leader of the Agrarian party—one of the nation's two most important parties—a new government took over with the consent and cooperation of its biggest single rival, the Social Democrats.

This new government's solution: even more jiggering. It promised the nation that the index would be down to 100 by the end of the year. To accomplish this objective,

Dr. Kekkonen announced that there would be a 12 per cent reduction in the price of government-bought grain. Subsidies on butter, sausage and sugar were to be increased. Sales taxes on building materials were to come down.

The big jump

How were the funds to be raised to pay for such a program? "Not by taxes," said the government. But early in 1955 it was clear that the government policy could not be kept and that subsidies would have to be reduced in the face of new weaknesses. When measures to cut the government deficit were taken, the index made its long-awaited jump—right past 105, all the way to 107—and the trade unions were again in a huff. By March 1, Finland was in the throes of the oft-threatened strike. Punctuated by violence, it paralyzed the country for three weeks.

On March 20, 1955, the government gave in and ordered a 10 per cent wage increase. Future wage increases were still to be made with each five-point rise in the cost-of-living index, but henceforth they were to be calculated from 107, the last figure for the index. In other words, labor would not obtain a new wage increase

until the index reached 112—instead of 110. Even so, the effect of the total increase proved disastrous. Inflation was on the loose again, and last September the index did reach 112—entitling workers to their five per cent increase—and it has hardly stopped rising since.

A leading Finnish socialist, Vaino Tanner, confessed some months back that "The injection needle is becoming worn out. In economic problems," he concluded, "quack remedies are of no avail, either in public or private economy." Nevertheless, Finns hang on to the fiction of the wage-index "stabilizer." They are apparently fearful of giving it up, because effective government action to stop inflation might be so politically unpalatable that it would not be voted in time to provide a true test of its effectiveness.

Finland's inflation problem is one of Europe's worst. Whether it proves fatal or not, one fact has made itself clear to all parties: simply tying wages to the cost-of-living index will not reverse the processes of inflation. Indeed, such a tie makes for an explosive political situation and endangers national safety by distorting the ordinary workings of the economy. ■

Literate Finns

FINLAND has the highest literacy rate in the world—99 per cent. There are three major universities—one in Helsinki, two in Turku.

OLD HATS==AND NEW

by Lawrence A. Abbott



Product obsolescence can be real
or psychologically induced

EACH YEAR, countless American trash-cans, attics and Salvation Army trucks become depositories for a huge assortment of articles which are neither worn out nor in disrepair. Among them we might find an Easter hat, a record album and a sturdy electric toaster with years of life left in it. Why are they thrown out? Simply because newer and better "models" have displaced them—a more stylish hat, a long-playing record of the same work, an automatic pop-up toaster. In the eyes of their owners, the older goods have become valueless because they are obsolete.

What makes a "perfectly good" article obsolete? A partial answer can be given in one word: *progress*. New ideas and inventions result in improved goods. If the improvement is substantial, the older

goods, though still able to serve, appear to be not worth keeping. Another partial answer is that changing tastes and changing styles breed obsolescence.

A third answer that cannot be ignored is that the American consumer is exposed to a tremendous barrage of high-powered advertising which constantly reminds him of the "new," "improved," "up-to-date" products he can buy. The impact on the consumer is inevitable. He is made painfully conscious that his already-acquired possessions have become out-of-date and inferior. That gleaming white refrigerator or bathtub, which was the latest thing a few years back, is less up-to-date than one in a soft pastel shade of green or pink. The two-year-old car whose rear fenders droop downward instead of sprouting tail fins

seems positively dowdy. The 15-year-old house (two-storied) lacks the glamor of modern "ranch-style" living. The list could be prolonged almost endlessly. In twentieth-century America product changes and advertising ballyhoo go hand-in-hand to create what is often called "psychological obsolescence."

Here is a real problem for consumers. Does obsolescence measure benefits in new goods, or does it indicate the presence of waste and inefficiency? To put the matter bluntly, are we, as consumers, getting our money's worth, or are businessmen putting one over on us?

The answers to these questions turn out to be less simple than one might think. One thing is clear at the outset: obsolescence is brought about only when new or changed products are offered for sale. The horse-drawn surrey did not become obsolete until the automobile made its appearance. Clothes do not go out of fashion until new fashions are put on the market. Changes of this sort are called innovations. As the late economist, Joseph A. Schumpeter, repeatedly pointed out, innovations are both risky and rewarding—risky because one can never be certain that they will find public

acceptance, and rewarding because successful innovations give the companies that make them bigger sales and bigger profits.

Here we have found one answer to the question of *why* manufacturers make the model changes that precipitate the obsolescence of existing models. They are under constant pressure to keep up and, if possible, expand sales volume. Since an improved product will sell more easily, there is an incentive to search for ways to improve products.

Businessmen have also learned from experience that novelty and change can give a sick or stagnant industry a powerful boost. The phonograph industry is a good example. In the mid-1920s it was a fairly small-scale industry, selling wind-up Victrolas whose shrill sounds were woefully lacking in fidelity. Then came the electronics revolution, with startling improvements in both records and record players. Old phonographs became obsolete. Sales soared. More recently another revolution occurred. The introduction of long-playing microgroove records made the one-speed record player obsolete. Again, the entire industry's sales and profits have benefited.

Another good example is the women's clothing industry. Here, major style changes have always meant booming business. When short skirts went out and the

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"new look" became popular in the mid-1940s, the average woman's wardrobe had to be almost completely replenished. But less dramatic year-to-year changes in fashions have also spurred sales beyond mere replacement needs.

"Planned obsolescence"

Small wonder that enterprising producers are working so hard to become masters in a new trick-of-the-trade: "planned obsolescence." Auto designers think up styling changes or new mechanical features that will tempt car owners to trade in their present car for a new model. Refrigerator manufacturers hope that automatic defrosters, plus automatic ice-cube dispensers, plus two-tone colors will be enough to tempt owners of well-running refrigerators to buy the latest model. Publishers of textbooks have long been accused of engaging in planned obsolescence by bringing out revised editions with insignificant changes and renumbered pages.

Such strategies are closely allied to another trick-of-the-trade: planned limits to longevity. Makers of batteries, light bulbs, shoes and other durable goods do a replacement business that varies inversely with the product's durability. Hence the temptation to make one's product less durable than it might be.

Yet the possibilities of increas-

ing sales by shortening the life of a product are limited, for there is always the danger of losing business to competitive firms whose products have a better reputation for longevity. This strategy will be effective only if consumers are ignorant or apathetic about the comparative durability of rival products, or if producers adhere to an industry-wide agreement on durability policy (in violation of our antitrust laws).

No such disadvantages bother the manufacturer who seeks to increase sales by planned obsolescence. The very change that creates obsolescence makes his product seem superior.

A helpless pawn?

But what about the consumer? Is he simply a helpless pawn? Will he invariably oblige by rushing to buy the newest model and discarding the older one? More important, is he being hoodwinked when he throws away a partly used durable good?

Here we might try to distinguish three types of situations in which obsolescence can occur:

- The genuine improvement that makes the older product not worth keeping.

- The minor improvement that is nice to have but trivial.

- The artificial or "concocted" model change.

This list seems at first glance to

be a good one; but as soon as we start trying to classify concrete instances we get into trouble.

Most satisfactory is the idea of "genuine improvement." The electric shaver is an example. Many purchasers have considered electric shavers so superior to blade-type razors that they have rightly preferred to discard their old razors immediately rather than wait for them to wear out. Another example is the automatic washer. It saves so much drudgery that its immediate purchase is sensible even though the family happens to own a nonautomatic washer in good condition (provided that the family income is large enough to make possible some purchases beyond bare necessities).

Such a purchase, moreover, need not involve any waste. If the dollars spent on the new washer provide a greater gain in convenience and satisfaction than any alternative use of that money, the family has disposed of that portion of its income in the most efficient way possible.

The notion of a "trivial improvement" is somewhat slipperier. Should we, for example, throw away our good watches simply to enjoy the added convenience of the new type of self-winding watch? For most of us, this would probably not be a good idea. But Mr. Smith, whose job makes punctuality important and who is a

forgetful person, might derive more real gain from an expenditure on such a watch than from spending that money in any other way.

Finding examples of "concocted model changes" that are "no improvement" is even more difficult. As good an example as any might be the new-model car which differs in appearance from its predecessor largely because of a changed arrangement of chrome trim. But even here there is room for disagreement. For whether a product's appearance is improved is a matter of personal taste.

"Psychological obsolescence"

This brings us to an important consideration. Most cases of "psychological obsolescence" involve style changes. Are such changes real improvements or phonies? In this connection, three things are worth keeping in mind:

- Whether a change is an improvement is usually a matter of opinion, rather than of fact. To one person, a new product represents a substantial improvement. To another, it is an empty excuse to trap the unwary into buying what he does not need.

- If the new product is in any sense an improvement, the consumer who buys it is better off than if he had bought the older model. On the other hand, he may be paying too high a price for

the gain he gets. It all depends on the consumer's income level, his attitudes and his living habits.

•Waste is not always undesirable. When a new edition of *Who's Who in America* or the city directory comes out, it is in a sense wasteful to discard the older volume, since it still contains much useful information. Yet for many people it would be more wasteful to struggle with an outdated directory than to buy a new one.

Frightening picture

It is sometimes asserted that contrived obsolescence, whether wasteful or not, is necessary because it keeps our factories turning out goods that would otherwise not be sold. But, do we need to maintain a consumer psychology of obsolescence-consciousness in order to keep our economy at a prosperity level?

Suppose we try to think of what would happen if most American families suddenly decided that the new models were really no improvement over the old. A rather frightening picture might be conjured up of falling sales, layoffs, rising unemployment, and, finally, a major depression.

Admittedly, such a thing *might* happen. If most American women decided to wear their clothes until they wore out, they would buy fewer dresses each year, and the dress industry would have to ad-

just to a contracting market. Similar contractions would occur if urges to replace old-style appliances, automobiles and furniture with new models became weaker. Temporary unemployment in these industries would be inevitable. This could well set the economy rocking on its heels.

But, if the fiscal authorities ease credit and reduce taxes to encourage spending, the impact need be only temporary. For the fact remains that if consumers chose to spend less on dresses they would have more income left to spend on other things; a slump in the dress industry would be offset by a boom in other industries. There would be a *shift* in consumer buying but *no net reduction* in buying.

Would we be any better off? This is probably an unanswerable question. Economic well-being is measured not in the physical weight of goods acquired, or in dollars spent, but in the inner satisfactions received from the products bought. The writer, a mere man, is not in a position to say whether a woman gets enough extra satisfaction from forever keeping her hats in style to outweigh the extra satisfaction she could have gotten by spending that money in more "prudent" ways. Perhaps no other woman would be in a position to know! In general, each consumer can answer such questions only for himself. ■

Adjusting to "Mild Inflation"

by Martin Bronfenbrenner

INFLATION has been forcing itself on our attention with ever-increasing insistence. The cost-of-living index has been inexorably creeping from one record height to another. We have been undergoing a specific variety of inflation called secular inflation. What is it?

Secular inflation does not mean a steady two, five or 10 per cent annual rise in prices that people can forecast and discount. Still less does it mean catastrophic runaway inflation on the German model of 1919-23 or the Chinese model of 1937-48. It does mean a system where prices and wages rise during periods of prosperity, but where the government relieves recessions fast enough to retain most of the increase from the preceding booms. This kind of wage-price spiral seems to be a consequence of either a "legal guarantee" of full employment like the

British or a "political guarantee" of full employment like our own. Stringent regulation of economic pressure groups might prevent it, as might stringent systems of wage and price control limitations of the full employment guarantee.

Secular inflation in this sense is nothing new. It has gone on all through history. Long before we had economic pressure groups like the AFL-CIO, or the NAM, or the Farm Bureau, currencies were debased to pay public debts or to bankrupt unpopular creditors. The century or so preceding World War I represented probably nothing more than a long interlude of price stability in a long-term trend of price inflation. Our financial institutions, however, were largely developed during this stable period. They may have to change drastically if secular inflation resumes and the public becomes

aware of the fact that it has resumed.

Is secular inflation necessarily a bad thing? Most economists, including the present writer, think it is for the same reasons that most of you do. A minority, including such respected authorities as Alvin Hansen and Sumner Slichter of Harvard, feels otherwise; they made the point that secular inflation induces us to spend income we might otherwise hoard and thereby eases the problem of maintaining prosperity. I suppose the most common opinion is that secular inflation is a lesser evil—bad, but not so bad as the unemployment that might result from any really earnest holding of the price level. So, secular inflation is here to stay, at least until there is a change in public opinion. This is what I shall assume in the rest of this discussion.

Narrowing differential

Much of our financing has come to be done by long-term debt instruments like bonds, mortgages, annuities and life insurance policies whose face amounts are fixed in money terms. Such financing often makes good senses when the price level is stable. It makes almost equally good sense when prices fluctuate, why they are as likely to fall as they are to rise over the life of the debt instrument. Under secular inflation, how-

ever, only fools would buy such instruments except at exorbitant rates of interest. So we can look forward to a decline in their importance. They may be largely replaced by equity securities like stocks, or by short-term debts which can be repaid in money of the same real value. Even in the shorter-term issues, rises in interest rates are very likely. The shift in investors' demands away from bonds to stocks and real estate will raise their prices and depress rates of return on them. In short, there will probably be a narrowing of the differential between the rate of return on equities and the rate of return on debts.

Unfamiliar forms of financial instruments can also be expected. A straw in the wind may be the attempts of some insurance companies like the Prudential Insurance Company and the Teachers' Insurance and Annuity Association to sell "variable annuities," which are based upon the dividend income and capital gains of common stock holdings by the insurance companies. Legalization of variable annuities brings up many issues like tax policy and insurance company control of business, which we cannot consider here. Let me say only that legalization

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of variable annuities is being fought by other insurance companies like Metropolitan, and that the outcome is dubious. Do not ask your insurance agent for variable annuities; they are not on the market yet and may never be.

In countries subject to severe long-run inflation debt securities have sometimes emerged with principal and interest fixed in purchasing power rather than in money. The holder of a 100-dollar purchasing power bond would be repaid 200-dollars if the price level doubled over the term of the bond, and interest payments would be adjusted similarly.

The supply side

There are, however, a number of serious problems on the supply side. Suppose the U.S. government were to issue purchasing power savings bonds, and that secular inflation continued intermittently. One could expect a rush to buy such bonds. This rush would result in the withdrawal of bank deposits, the sale of other bonds and the redemption of insurance policies. This in turn would force state and local governments and private financial agencies (banks, insurance companies and building and loan associations) to meet the new federal government bond competition. This would require higher state and local taxes, to permit state and local securities

to go on the same purchasing power basis. It would be more difficult for the private companies, especially the financial ones whose investments are largely in bonds, mortgages and other long-term debt securities fixed in terms of money. Unless the whole economy goes on a purchasing-power basis more or less simultaneously, as Israel seems to have tried to do, the government can issue debt securities on this basis only at the risk of ruining large segments of the financial community.

The federal government itself would face financial and political difficulties, if it put any large part of the national debt on a purchasing power basis. Every time the price level rose, the burden of interest and principal repayments would rise with it. This would force it either to increase taxes further or to expand the national debt by more than would otherwise be necessary (or contract it less than would otherwise be possible). The consequence would be higher taxes, faster inflation, or, most likely, some combination of the two. Purchasing power securities, in other words, are basically another form of "escalation," just like escalation provisions in wage contracts or parity provisions in farm price supports. They protect certain groups from the consequences of inflation, at the risk of making the inflation worse.

Another problem is that during inflationary periods, most firms' selling prices rise faster than their costs, but the costs usually catch up as each burst of inflation draws to its close. One result is that conventional money accounting exaggerates the fluctuations of money profits.

The overstatement of money profits during inflations leads to higher demands by tax collectors, organized workers and stockholders than could be justified otherwise. On the other hand, it weakens the case for price increases in public utilities and other regulated industries.

"Inventory profits"

Actually, changes in accounting procedure are already under way which will reduce the effects just mentioned. For inventory accounting in particular, a device known as LIFO (last-in-first-out) prevents the appearance on the books of "inventory profits" during inflationary periods if they must be reinvested automatically in higher-priced inventory and are not available for distribution or taxation in a going concern. A similar but not identical device known as "replacement depreciation" is being developed for fixed capital equipment with longer life. Here the problems are more difficult, because capital goods are seldom replaced with identical

capital goods, and because reliance must be placed on questionable statistical index numbers. Replacement depreciation accounting is not as yet recognized as legitimate by the U.S. Treasury or by most accounting firms in the United States. I nevertheless venture to predict recognition for replacement depreciation accounting if the price level continues to rise.

If replacement depreciation is permitted in public utilities and other regulated industries, it will help reduce the inflationary squeeze on these businesses and their stockholders. Or rather, it will accelerate the elimination of the squeeze. When the utilities' fixed capital must be replaced, rates will have to rise to cover the inflated replacement cost in any event; replacement depreciation brings on the increase sooner but insures lower rates at replacement time.

A case has been made by some economists, including my Wisconsin colleague Walter Morton, for changes in public utility regulation to provide additional relief for public utility companies and stockholders if inflation continues. This may seem unreasonable, but a persuasive case can be made for it.

Conventional regulation permits public utilities to earn a "cost of money" rate of return on their capital investment. This is a rate

sufficient, under normally prudent management, for public utility stocks to hold their own with other stocks in competition for investors' funds. In conventional practice, this means a rate which will prevent public utility stocks from falling in price. But during inflations, other stocks not only maintain their money prices but increase them; they are, in fact, among our most important hedges against inflation. If public utility stocks are to hold their own with these other stocks in competition for investors' funds, their rates of return will have to rise to the point that their money prices also keep up with inflation.

I venture to predict an increasingly "liberal" interpretation of the term "cost of money," which will, in fact, *raise* the permissible differentials between utility earnings rates and ordinary rates of interest. I have also suggested that interest rates will rise if inflation continues so that the combined effect on regulated prices will be upward on two counts.

To forecast something as likely does not mean that the forecaster thinks it is necessary or desirable. While I think some such developments as I have outlined may be necessary *if* secular inflation con-

tinues, I should prefer to see us eliminate secular inflation instead, and avoid these novelties and complications.

There are countries in which the shock of inflation has served a useful purpose as a kind of tax, forcing people to reduce consumption and permit the country's "economic surplus" to be put to work for economic growth. Even in the U.S. a firm stand against inflation always implies the threat and sometimes also the reality of unemployment, when it invokes "tight money" against rising wages and prices. It may also imply a slowing down of economic growth, since less credit would be available to expanding firms and industries, and since industrial shut-downs would probably be more frequent and severe when wage increases could not be passed on so readily to consumers.

But with all due respect to Professors Hansen, Slichter and other worshippers of the cult of Guaranteed Full Employment and Maximum Growth Rate, my personal preference is for halting secular inflation as soon as politics will allow. This, however, is only one economist's personal preference and is not to be confused with the Voice of Sound Economics. ■

The Rising Cost of Welfare

THE COST of government-sponsored social welfare programs has risen fivefold (400 per cent) in the last decade, a far greater rise than the economy has shown. National income has risen only 79 per cent.

E*conomics in A***ction**

more confidence

Although businessmen have not stopped worrying, they now feel that business is better than had been expected. In part, their renewed confidence is due to the gain of first-quarter profits over those of the first quarter in 1956. The aggregate gain among all companies so far reported—including both those with profits and losses—is nearly eight per cent; and allowing for the excessive gains in petroleum, due to the Suez crisis, and in electrical manufacturing, due to the General Electric strike early in 1956, the total gain is three per cent. Moreover, a larger number of companies reported profits than losses. Clearly, the “profit squeeze” in this first quarter has not been as tight as had been anticipated.

strengths

Another significant report: contrary to expectations, industrial production has not declined, but has continued at a sustained level. Of course, with a cut-back in petroleum now that the Suez Canal is open again, this may not last. But industry has other sources of strength: machine tool shipments are at a three-year high, and although new orders are behind last year's at this time, the pace is relatively rapid for peacetime. Also strong are the aircraft, shipbuilding, railroad and farm machinery industries. And output of industrial and commercial machinery, as well as that of electrical equipment, has continued at peak rates.

weaknesses

These strengths offset the major weaknesses: housing construction, appliance and auto sales, and steel production. Housing starts have recently increased, but the total is still way down, and this explains much of the weakness in appliance sales. The lowered consumer demand for automobiles largely ex-

plains why steel production is lagging, since steel demand other than for auto manufacturing has fallen little.

**greater
balance**

On the other hand, total automotive output, including replacement parts, has remained at last year's level despite the decline in auto assemblies. Moreover, among appliances, television set output seems to have stopped its downward course. And production of nondurable goods has continued at earlier record levels, with textiles and leather recovering somewhat from previous declines.

**a sign
of health**

Liquidation of manufacturing inventory continues: recent inventory increases have been the smallest in two years. But this liquidation is not an adjustment to declining sales, since sales are strong. On the contrary, it indicates that supply is catching up with demand, which is a sign of economic health; for excessive shortages invite excessively high prices.

**employment
and spending
strong**

Over-all nonagricultural employment continues at record levels, although factory employment has declined slightly. Along with this has gone a minor shortening of the length of the work week, which has resulted in a slight falling off in average weekly earnings. Nevertheless, consumer spending remains strong.

**grounds
for
confidence**

With total sales for the first quarter at the peak annual rate of better than seven billion dollars; personal income at a record high of 336.5 billion dollars for the first quarter; capital outlays for business expansion being revised upward for the rest of 1957; and government spending proceeding at an accelerated rate, there is good reason to expect that business will continue at its present pace and not suffer a decline, as many had thought likely a month or two ago.

**government
policy**

In the light of the foregoing, plus the fact that prices are still rising, although slowly, the Federal Reserve will probably continue its tight money policy in order to combat inflationary tendencies. A sizable budget cut would be deflationary, since it would probably curtail government spending directly in business. But any tax reduction brought about by budget cutting will not have much of an impact on the economy until 1958. By then it will be clearer whether the economy needs the additional spurt of activity that increased spending would provide.

* * *

**budget
leadership**

WASHINGTON—A combination of political hay-making by some Democrats, the desire of some Republicans to embarrass "Modern Republicanism," and the efforts of those Congressmen and Senators who feel that economy in government at this time is an absolute necessity—these forces presented a powerful array of budget cutters. The President's unaccustomed personal intercession took some steam out of truly vast cuts in the defense and foreign aid programs and paved the way for some restorations in the budgets of several agencies. The President will not get all that he wanted, but he is getting what reasonably approximates his stated minimums.

**Senate
leadership**

Behind the scenes, in the meantime, the President's prestige within his own party keeps losing ground. Modern Republicanism, at this writing, is in the minority. How much of a minority it is has been proved by the lineup of votes to choose the next Republican leader in the Senate when Knowland of California retires. The President will have to live for two years with a new Senate leader, perhaps a *majority* leader; so naturally he would like a "modern" Republican in the job. But his party seems more inclined to go for a "true" Republican. Who will get the job? Right now it looks good for Senator Everett Dirksen of Illinois, who is not considered very "modern" by the White House.

**the UN
is blamed**

The United Nations is now in trouble. Ironically enough, it was American policy in defense of UN prestige that has actually proved a disservice to the world body. At the height of the Suez crisis, President Eisenhower insisted that the West should not bypass the UN in dealing with Nasser. The UN did deal with Nasser and got tentative agreement on the principles that should prevail in Egyptian management of the canal. Then events outran the UN. Nasser announced *his* plan for running *his* canal, and lengthy private negotiations conducted by the Western powers got nowhere. Everyone refers to the UN principles, but no one is willing to do anything about backing them up. So it was that American policy insisted on bringing the UN into the picture. Now the world body appears to be an organization that has no power to deal with irresponsibility and dictatorship.

**shades of
the League**

The last gesture of the Mollet government was to declare, in effect, that if Nasser can get away with what he has done at Suez, France will not be bound by any UN decision regarding Franco-Algerian relations. If the French do openly defy the UN, the world body may have reached the same state of dismantlement that the old League of Nations was in 20 years ago. If the French persist in their Algerian policy, the Arab-Asian bloc will insist on a showdown in the UN. Somebody might get hurt.

**many roads
to where?**

Nikita Khrushchev, for reasons of his own, posed as a friend of disarmament and declared a new kind of war against the United States—one not involving arms. He issued the bold prediction that within 10 years the Soviet Union will outproduce the per capita dairy and commodity production of the U.S. This, he said, would do more to strike a blow against capitalism than all the guns, planes and tanks at the disposal of the Red Army. Was he boasting, or does he *want* disarmament? Meantime, Khrushchev is reorganizing Soviet industry, along more “capitalistic” lines. ■

labor? investment? capital? salary? wages? quantity? consumer? expansion?

When Productivity Rises

by Bela Gold

Who gets what—and how much?

How should we divide the benefits of increasing productivity?

What we do about the answer to this crucial question will affect the growth and stability of our national income as well as our individual shares in it. But it is a tough question because it leads into an arena of conflicting interests.

Should we continue the historical way of dividing the productivity shares? Or should we attempt to improve matters?

Edwin G. Nourse, former chairman of the Council of Economic Advisers, established himself as spokesman for the "improved" variety of productivity economics by saying, "Historically, we see such gains (from increasing productivity) distributed among the three (capital, labor and the con-

sumer) in ratios determined by chance or by struggle rather than anything approaching scientific understanding of the results on the future efficiency of the economy."

This suggests that past distribution patterns have been highly variable rather than stable and that their effects have often been undesirable. Is this factually correct and, in any case, what is a "desirable" distribution of productivity benefits?

Some people stress the importance of sharing productivity increases as "fairly" as possible, while others would make maximum productive efficiency the criterion. Another argument stresses the importance of maintaining industrial harmony on the premise that the only realistic approach must be based on a recognition of the relative strength of the com-

peting groups. While each of these considerations is obviously important, proposals based exclusively on any one are clearly incompatible with one another.

Let us consider some of the ways in which productivity advances can be used. An increase may be used to raise the total output that can be obtained from the same amount of capital and labor, or it may be used to reduce the amount of capital and labor necessary to maintain the same level of production. Productivity advances may also be used to reduce the price of goods, thus passing on benefits to the consumer. If there are no price reductions the benefits are distributed among those responsible for the increase in productivity. In this case there is another choice to be made—how to divide the benefits among owners, salaried personnel and wage earners. Of course, all these possibilities can be combined in various ways.

It would be well to examine which alternative has actually been followed before we try to discover which is the most “desirable.” Let us first attempt to find out what actually did happen in a major sector of industry over a fairly long period of time. As part of a

comprehensive research program undertaken at the University of Pittsburgh, this writer has been analyzing changes in the productivity levels and costs of more than 300 manufacturing industries over a 40-year period from 1899 to 1939. Among these, I shall select iron and steel manufacturing to illustrate the extent and distribution of productivity gains.

During that period, output in all iron and steel manufacturing was almost quadrupled, tremendous technological advances were made, jobs were substantially modified and working methods improved, and managerial controls were extended and made more effective. All of the production factors showed increased productivity. Output increased relative to the volume of materials used; the productivity of capital facilities and equipment rose sharply; and output per man-hour of direct labor increased by about 150 per cent.

How were these remarkable productivity gains shared? Five criteria may be used in measuring labor's returns from productivity increases: average hourly earnings, average annual earnings, employment opportunities, leisure time and the relative “fairness” of labor's share.

Between 1899 and 1939, the average hourly earnings of wage earners in iron and steel manu-

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facturing rose to 274 per cent, far exceeding the 150 per cent increase in output per man-hour. While average annual wages per worker rose by 168 per cent, the difference between average hourly earnings and average annual wages is explained by the fact that the average number of hours worked annually declined by 28 per cent. In other words, some of the benefits derived from increased productivity were taken in the form of increased leisure. Finally, the average annual employment of wage earners increased by 118 per cent. All in all, a rather impressive record.

Measuring fairness

Of course, these nominal wage increases are not matched by a comparable rise in buying power because the cost-of-living index rose 87 per cent during the period. Even so, labor did achieve a real increase in hourly earnings of 100 per cent, and a real increase in average annual earnings of 43 per cent.

These were substantial gains, of course, but they definitely fell short of the 150 per cent increase in output per man-hour. Why? Is this gap between real wages and productivity "fair" to the worker?

Our answer will obviously depend on how we measure "fairness." Wage earners generally evaluate the "fairness" of their

returns in three ways. First, they may try to compare their wages with those of other wage earners. Second, they may compare their returns with their estimated contributions to output. Finally, they may compare their returns with the benefits enjoyed by other factors of production (dividends, management salaries, etc.) engaged in the same industry.

How do these wage increases measure up in terms of such criteria? During the period under discussion, average hourly wages rose eight per cent more in iron and steel manufacturing than in *all* manufacturing—and this is true both in terms of nominal dollars and purchasing power. On the other hand, actual annual earning per wage earner rose about two per cent less in iron and steel than in all manufacturing. But this is no indication of a disadvantage. Rather, it is the result of the fact that iron and steel wage earners enjoyed a 28 per cent reduction in average number of hours worked annually as compared with a 21 per cent reduction in all manufacturing. Judged by this "fairness" criterion, the workers did rather well.

The second question is: how did the returns of the iron and steel workers compare with their estimated contribution to production? We might note that in any case they received greater gains than

workers in all manufacturing despite the fact that man-hour output rose eight per cent more in all industry than in iron and steel. But the fact remains that in terms of purchasing power, average hourly earnings rose by only 100 per cent (and average annual earnings by only 43 per cent) as compared with an increase of 150 per cent in man-hour output. The question then remains: how can we account for this disparity?

There are two possible explanations. Either labor's share of total returns declined, or the remaining benefits of productivity increases were passed on to consumers in the form of lower prices.

If we eliminate payments for purchased materials, we find that labor's share of the "value added" by the total production process was 44.6 per cent in 1899 and 43.9 per cent in 1939. Thus, statistics show that labor's share remained virtually unchanged. This means that any difference between productivity increases and the returns to labor (and the other contributors to iron and steel production) must have been passed on to the consumers. And that, in fact, is what happened.

Although the average price of

all iron and steel products rose by 34 per cent between 1899 and 1939, the average price of all commodities produced in the U.S. rose by 48 per cent. *Relatively* speaking, therefore, the average selling price of all iron and steel products actually declined by about 9.5 per cent.

Observed pattern

That is the way in which productivity increases were divided in the iron and steel industry during a 40-year period. But the question remains: how *should* they have been divided?

It might, of course, be possible to find more equitable and efficient ways of apportioning the benefits from productivity increases. But I do not believe that we can condemn the observed pattern as obviously haphazard or harmful. All proposals for change should put the question: Would they, in fact, offer significant advantages over arrangements which have been associated with enormous expansion, continued technological progress and, above all, with significant contributions to a higher standard of living? No economy can afford to ignore the question or give too precipitious an answer. ■

Wealthy Americans

THE AGGREGATE income of America's 170 million people probably exceeds the combined income of the 600 million people living in Europe and Russia, and far surpasses the total income of the more than one billion inhabitants of Asia.

Theodore W. Kheel

Nationally known arbitrator and
mediator in labor disputes

"An Exercise in Human Relations"



Q Mr. Kheel, for more than 20 years you have been both an arbitrator and a mediator in labor-management disputes. Most of us think of these two terms—"arbitrator" and "mediator"—as more or less the same thing. Are they?

A No, they are not, and the difference is extremely important. An arbitrator is a kind of judge—a quasi-judicial officer. A dispute is submitted to him in the form of a jointly signed statement called a "submission," and his decision must be made within the framework of this submission. His decision settles the dispute. A mediator, on the other hand, tries to settle a dispute through persuasion. He does not have the power to order or command. His authority is limited to just talking to people and helping them reach an agreement.

Q Would you say that mediation is an art, while arbitration is a science?

A Exactly. Thus, there are lots of rules governing arbitration. Most states have arbitration statutes, and there are certain generally established rules of conduct. You can learn how to be an arbitrator by studying the subject. But there is no way of "learning" how to be a mediator. No rules govern mediation. It is instinctive and intuitive rather than scientific.

Q *What does it take to be a good arbitrator or a good mediator?*

A Obviously, both require a knowledge of and experience in labor management relations. But a good arbitrator is not necessarily a good mediator, and vice versa. Of course, some people are good at both.

Q *What about a good arbitrator?*

A Most of the arbitrators active today are the same men who were active 10 years ago. I attribute this to the fact that they have a thorough knowledge of the labor-management field. In addition, a good arbitrator must also have what lawyers call a "judicial temperament." He must have the ability to analyze issues and to write his decision precisely. Finally, a good arbitrator should be sensitive to the problems of both the company and the union. He will tend, for example, to avoid a decision that may be perfectly sound and equitable on its merits, but not conducive to continuing good relations in the future.

A mediator must have a knack for dealing with people

Q *What about the mediator?*

A His is a much more difficult job. He must be sensitive to the personalities of the people involved as well as to the strategy of the bargaining. If nothing else, he acts as sort of a traffic cop. He calls meetings and decides when they should end. If the dispute gets too hot, he separates the parties. He transmits messages from one side to the other. All this is not easy. But, in order to do an outstanding job, a mediator must have imagination and a knack for dealing with people. I think mediation is the most exciting aspect of labor relations, if done properly.

Q *What must a good mediator do in order to be successful?*

A First, he must instill in both parties a sense of confidence in his personal integrity. For only if they trust him will he be able to learn what they are demanding for *strategic* purposes and what they *really* want. At the beginning, both parties usually regard the mediator as just someone else to bargain with. Each side will try to impress him with the importance of every aspect of its stand so that he, in turn, will make the "proper" presentation to the other side.

Q *How does he go about establishing confidence?*

A Let me give you an example. A company once gave me an offer to transmit to the union. But because of squabbling within the union, I concluded that it would be inappropriate to present the company's offer. It would almost certainly have been rejected and would then have become a stumbling block to anything the company might offer later. So I went back to the company and said, "While you authorized me to make this offer to the union, I decided against it because I believe that it would be a mistake at this time from your point of view." After that, the company was inclined to trust me with important information, knowing that I would not disclose its confidences to the other side. Of course, similar relationships have been established with unions. Sometimes you become a repository of confidences of both parties which show plainly enough how deep-rooted the conflict is. On the other hand, there have been instances when I was entrusted with offers of agreement from one side that either went beyond what the other side was asking for or were actually *less* than the other side was willing to give.

Find out exactly what the dispute is about

Q *Let us say there is a dispute. What is the first thing a mediator has to do?*

A Obviously, the first thing is to try to find out exactly what the dispute is about. My view is that the mediator should try to get all the disputed issues without attempting any evaluation of their relative importance or significance. Having done this, he can take one of two approaches. He may try to resolve the "easy" issues first. This clears away the underbrush and tends to develop a psychologically favorable atmosphere for agreement. Of course, this is not always practicable. Sometimes one issue is the principal stumbling block and both parties are holding out on the minor issues until the big one is resolved. In that case, it may be necessary to come to grips with the toughest issues first. Again, it all depends on the mediator's evaluation, or "feel" of the situation.

Q *What are some of the pressures that can be brought to bear upon both parties to reach a speedy settlement?*

A One of the most important pressures is time. Most parties to collective bargaining will bargain against the clock. In the final analysis, it is the pressure of a potential strike that induces them to try to reach an agreement. The mediator must develop a sense of timing. Sometimes his sense of timing may tell him that it would be inappropriate to push either side too hard. At other times, his sense of timing will tell him that he must push very hard.

Q *What about the pressure of public opinion? How does it affect the course of a dispute?*

A It is very hard to measure the effect of public opinion. Public opinion undoubtedly exerts a tremendous influence in a general way, but I doubt whether it has much of an effect on the specific issues of the dispute. When a union says, "We want a 10-cent raise," and an employer says, "We can only offer a five-cent raise," the public is not in a position to tell which side is right. The same is true of issues like pensions or the guaranteed annual wage. The public is in no position to influence the course of negotiations on such matters. On the other hand, if either of the parties does something which does not conform to the general standards of society, then it must suffer the consequences. In this sense, public opinion exerts an extremely powerful influence.

Public pressures fall mainly on political leaders

Q *Doesn't the pressure of public opinion tend to hasten a settlement?*

A The biggest pressure is the strike itself. Of course, where the consequences to the public are very severe, as in a railroad strike, public pressures will fall mainly on political leaders who will take such action as seeking injunctions, and so on. But I don't think that public pressures in this regard are nearly as significant as the pressures that both the union and the employers face from the strike itself.

Q *What, in your opinion, is the role of arbitration as compared to other means of settling labor disputes?*

A The role of arbitration in the settlement of disputes that arise from existing contracts is tremendous, and it is universally used for this purpose. There is another kind of arbitration where the arbi-

trator can, within the limitations established by the disputing parties, settle on the terms of the contract itself. I think that this kind of arbitration has only a limited function and is generally a poor substitute for collective bargaining. In any case, arbitration is not often used for this purpose.

Q Since mediators are usually called in only when collective bargaining seems to have broken down, is the use of mediation not a reflection on collective bargaining?

A No, I don't think so. Mediation is an indigenous part of collective bargaining. The mediator doesn't serve as a substitute for collective bargaining; he is there to make collective bargaining work.

Most mediators today work for government

Q And yet mediators are generally called in by the government, not by the disputing parties.

A At present, that is true. Most mediators today work for the government—federal, state or city. There is no organization of professional mediators. The reason is that both sides are reluctant to call upon mediators for fear that their action would be construed as a sign of bargaining weakness. Since the government has the right to step in on its own, this apparently relieves the parties of a distasteful obligation. Personally, I should like to see the development of a class of professional mediators who could be called upon in the same way that we now call upon arbitrators. But before we can do this, we shall have to devise some method which would permit disputants to request mediation without prejudicing the bargaining position of the side which makes the first move.

Q Before you could do this, wouldn't you have to establish professional standards for mediators similar to the standards established for arbitrators?

A I think that is true, but it is a very difficult thing to work out. It could work only if both parties were to agree that in the event of a dispute, they would call upon a mediation organization. For a variety of mechanical reasons, I do not foresee such a development. I do think,

however, without reflecting in any way on the skill of government mediators, that it would be highly desirable to develop a class of professional mediators who, uninhibited by the strictures of working for the government, would be able to realize the full potential of this art.

Q *While mediation has proved its usefulness in labor-management disputes, it has been much less successful in other areas of human relations. Is there any reason why mediation should be less successful in a field like international relations?*

A I can speak on labor relations. Here, mediation undoubtedly performs a useful function. As for other fields, I don't know how far you can go intelligently. For one thing, you can "get your hands on" labor disputes. In international disputes there is always the question of national sovereignty and the authority of the agency which appoints a mediator. Of course, in a labor dispute, the company or the union can also say: "We don't want a mediator." But, as a matter of public relations, it is rarely done. Public opinion exerts much less influence in international disputes; for who is the public in an international dispute? The citizens of the particular country concerned? They may very well support their country's refusal to submit to mediation.

Essentially an exercise in human relations

Q *In other words, mediation will only work where there is a certain community of interests among the mediator and the disputing parties?*

A I think that is true. Mediation and collective bargaining are essentially an exercise in human relations, and the personalities of the parties do exert an important influence on the final settlement. On the other hand, there are certain broad boundaries, tacit and unwritten rules, that tend to limit and define these influences. No one, for example, expects to get a wage increase of a dollar an hour. No one expects that labor will take a cut. And no one expects that management's authority to run its business will be turned over to the unions. Thus, there is a framework within which bargaining must take place, although it is true that within this framework personalities play a very important role.

Q *Thank you, Mr. Kheel.* ■

Everyday Economics

CONTRARY to Robert Benchley's view that there are two classes of travel—first class and with children, an auto trip with children can be a pleasure, if given a little forethought. Keeping them happily occupied and comfortable is the key. You might try a "50-mile stretch," for one thing; for another, a mystery box, in which there are surprises wrapped separately, to be brought out when children get restless. A plastic shoebag hung over the back of the front seat with bicycle clamps, will hold a child's needs within easy reach.

A smile in a snarl



HERE ARE some tips for bumper-to-bumper driving: Don't cut your engine, let it idle in neutral, to save the battery. To keep it cool during a long tie-up, race the engine for 30 seconds every few minutes. If the radiator boils, pull off the highway, turn off the ignition and let the engine cool to 180

degrees. Then unscrew the cap, start the motor and add warm water. If the car stalls, wait until the fuel line clears.

Wedding bills



PAPA, it seems, pays less and less for his working daughter's wedding. According to one bank's figures, the bride now spends about 1,000 dollars on her reception, linens, flowers and photos.

A carat is a seed



ABOUT this time of year, questions about diamonds are as much in order as "popping the question." Here are answers to a few. A diamond is measured in carats, from the Greek word for the seed of an Oriental tree which was used to balance the scales in the bazaars. There are about 142 carats to the ounce, and 100 points to the carat. One good diamond is a better buy than several small ones for the

same price, for you pay proportionately more for the cutting of the smaller stones. Diamonds are not all pure white—some are pale yellow, brown, red, pink, green, blue, even black. Since they break up light into the colors of the spectrum, the light they give off is full of color. Examine them for color and sparkle on a white background in northern light on a clear day. No diamond is absolutely perfect under the microscope, and imperfections affect their price, although they may not mar a stone's beauty. A diamond may be sold as "flawless" if it shows no fault to a trained eye when magnified 10 times. Maximum brilliance is achieved by cut. The most popular is the brilliant cut, which always has 58 facets, whatever its size.

Model A devotees



ANTIQUE-CAR fans intent on restoring an old Model A or Model T Ford can get help from the *Model A Restorers' Manual*. It is available free from the Archives Department, Ford Motor Co., Rotunda, The American Road, Dearborn, Mich.

40 million chefs



THIS YEAR, the barbecue set will cook some two billion meals outdoors, buy over 140,000 tons of

briquets, and spend some 50 million dollars on grills, aprons and other barbecue accessories. Because most people use enough charcoal to cook a moose and ruin a steak, you might try a sealed package of about two pounds of briquets. Touch a match to the package and in 20 minutes you have a fire just right for cooking two big steaks.

Profits on credit



A NATIONWIDE, cooperative program promoting installment plan modernization of outdated main streets is being sponsored by Kawneer Co., Niles, Mich., manufacturer of aluminum architectural products. Called "pay as you profit," the campaign is an attempt to spur retailers to remodel drab store fronts and solve traffic and parking problems, financing the project on credit.

First aid for small business



THE SMALL Business Administration has published a series of booklets to aid the small businessman with problems like accounting and sales and executive training. None costs over 35 cents; they are available from the United States Government Printing Office, Division of Public Documents, Washington 25, D.C.—G.M.S.

The Economics Of Immigration



by Frank A. Tinker

Skills, not numbers, are the key determinants of modern policy

THE TRUE and historic nature of human migration has often been obscured by irrelevant and irresponsible debate. For, contrary to public belief, the prime forces behind this migration have almost invariably been economic. Today, as far as U.S. immigration is concerned, these same forces are far ahead of the debaters.

This article is not composed as an hypothesis or an argument. I do not propose to discuss the oft-stated ways in which we should handle immigration. Instead, I wish to comment on the economic considerations which largely guide our immigration policy in visa offices all over the world.

In order to bring the subject into focus, some hard-boiled facts

of international custom and law should be recognized. First, no individual has ever had a *right* to cross an international boundary. For various reasons, states have felt compelled to exercise control over the passage of persons into and out of their territories. To speak then of the "right" to free international travel is to speak of something which has not existed since modern states have existed.

Second, it is the welfare of the receiving nation rather than that of the immigrant or of his previous homeland which has usually been the prime consideration in permitting such travel, especially if it involves permanent resettlement. This has become particularly true during the last 150 years.

It is the result of a growing surplus of people in most parts of the world in relation to the land and resources available to support them at the highest possible level.

As far as the United States is concerned, immigration is today a minor factor in our population growth. In 1954—a representative year—there were only 200,000 immigrants out of a total population increase of 2,830,000 persons. Of our present population of nearly 170 million, only 11 million, barely 6.5 per cent, are foreign-born; and the percentage is declining yearly.

Of course, in spite of our continuing high birth rate and rapid growth, there is still a demand for immigrant labor from important segments of our economy, especially those segments that require specialized skills. And our long-term immigration outlook is rapidly tending to satisfy this demand.

A brief look at our history shows that the varying economic needs of the U.S. have generally governed the amount and the type of our immigration. Written laws have been concerned mainly with shortening the lag, rather than with changing the economic nature of the influx.

The very circumstance of this nation's settlement provided the first stimulus in this regard. It

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was obvious from the beginning that our future material expansion demanded a large population. In 1800 the U.S. had a population of only five and a half million whites. Clearly, we had to compete with other areas to attract additional population, for Europe was not then the teeming population mill it became when the death rate was reduced.

Slowly, the nature of our immigration changed. During the decade preceding the Civil War, 95 per cent of our immigrants came from the northern and central nations of Europe—nations well-advanced in industrialization. During the decade prior to World War I, 70 per cent of immigrants came from the working classes of southern and eastern Europe—where industrialization lagged and population pressures had built up. In both cases, the available supply happened to suit our needs: first, experienced hands to help with the creation of our industry and for farmers to settle our land; second, raw, unskilled labor to do the routine, lower paid work of our expanding industries.

But in 1920, public opposition, headed by labor groups, cut off the mounting flood of cheap, unskilled labor from these depressed areas. Contract labor—whence unsuspecting foreigners were lured to the U.S. for wages which only seemed high in comparison to

their own country's standard—was forbidden. The once thriving business of selling steamship tickets to deluded and uninformed immigrants was thus thwarted.

A more specific example of how economic factors govern migration occurred in 1849. At that time, there was an urgent need for cheap labor to implement our westward expansion. In response to this demand, more than 300 thousand Chinese soon flocked to our West Coast. While this labor depressed local wage standards right from the beginning, it was not until the Panic of 1873 had deprived many workers of a livelihood that organized labor—then concentrated mainly in the railways—put a stop to this immigration. Actually, the demand had eased sometime before, and the law—slow by necessity of the democratic process—simply recognized this fact and cut off immigration from Asia.

Demand for entry

Today's insatiable demand for entry continues to come from areas economically depressed and oversupplied with unskilled labor. But because of our rapid rate of industrialization, we have no need for unskilled labor, to say nothing of the fact that our unions today would never put up with such an influx. The demand here today is precisely for the skilled

workers that excess population areas do not have, and of these we are not getting enough to satisfy our demand.

We have here something of a paradox. Due to ever-increasing industrial specialization and expansion, our relatively small population supports with ease a heavy military program and still produces a surplus of consumer goods. World War II proved that consumer production could be raised with relatively fewer workers. This same specialization has raised the production capabilities of the semi-skilled *and* of the completely unskilled worker to the point where industry can afford a wage far and above the subsistence level.

A curious problem

But specialization has also created a most curious problem: the added economic incentive to become skilled is simply insufficient to warrant the effort of most workers. Thus, specialization itself, by so limiting the scope of the worker, has discouraged him from taking on-the-job training and broadening his skills.

The effect of this situation on immigration is obvious. Expert German and British machinists are now being recruited abroad by American firms, because workers here cannot be induced to serve the required apprenticeships for the small wage increase such

skills would bring. And the same situation exists in the professions. The American Medical Association recently found that some of our eastern hospitals were staffed by a majority of foreign doctors and surgeons, some of them only partially qualified under our laws. Our shortage of specialist labor encourages such situations.

The Immigration and Nationality Act of 1952 simply recognized this demand for special skills. Under its provisions, we now grant priority on our quota lists to skilled machinists, as well as to the traditionally preferred scientists, renowned musicians and ministers of religious faiths. Moreover, this increased demand for skills and specialties will intensify, especially under the impact of automation. In so doing, it will probably bypass completely the pointless arguments concerning race and nationality which have recently dogged our immigration policies.

As far as the country as a whole is concerned, this tendency toward economic selectivity in immigration may be considered reasonable and proper. But it does create problems—especially for organized labor. The immigrant, instead of being admitted at his traditional starting point at the bottom of the job ladder, is now frequently ushered in at the very top. This will require a radical revision of

the equally traditional stand of organized labor on the matter. In the past, labor has maintained that immigrant labor should not take jobs from American workers, but should start at the bottom of the ladder and work its way up through the established system. But since that system is not providing the necessary skilled labor, this position is no longer feasible.

As for the harried lawmaker, subjected to irrelevant pressures from many groups, his role will probably continue to be a reasonable submission to sheer economic necessity. Except for localized political emergencies, such as the recent Hungarian situation, future immigrants will have to prove their worth and suitability to the American economy through regular competition with other potential immigrant groups.

Unfortunately, the pressures operating against the lawmaker are usually on behalf of persons not particularly suited to the nation's economic needs. Persons sponsored for ethnic or sentimental reasons alone too frequently are done a disservice. Lacking the necessary skill, they would not serve as producers; lacking the income from such skill, they would not be outstanding consumers.

Criterion for admission

Besides, if the immigrant's need were to be the sole criterion

for admission, then we would have to start by granting entry to most of the Palestinian Arab refugees, approximately half of India and China, and, as a poor last, we would have to consider the pleas of Europeans and Africans. And even if it were possible to absorb all this surplus—which it is not—there is another problem to be considered: what would be the effect of such a broad immigration policy on the countries whose “excess” population we were absorbing? It would not necessarily be beneficial. For instance, Italy is requesting relief from its population pressure, yet its arable land is not as crowded as England’s and does not even approach the saturation of Japan, neither of which countries are advocating migration as a solution. Yet, in both England and Japan, emigration would have a more lasting effect because of lower birthrates.

Finally, many “surplus” peoples

—being, after all, individuals who would like to exercise free choice—have simply refused to be moved just anywhere merely to benefit their own country. Their understandable choice, and demand, has been for the most economically advantageous place, which usually is the United States. The white refugees from Shanghai, for instance, almost without exception, requested to be given asylum in this country, although offers were extended from almost every country in the world.

When one looks at immigration from the point of view of national self-interest, the laws of nations do not appear as hard-boiled as they are inevitable. For America, it is the economic forces which will continue to determine the kind of newcomer we shall have. And in the America of 1957, it is skills, not numbers, which can contribute most to the nation’s well being. ■

A Fresh Start

VIRTUALLY the entire Sopron University—a 150-year-old school specializing in forestry, geology, mining and geodetics—escaped from Hungary across the border into Austria. The school’s faculty and students contained many men with training or intended training in fields in which Canada is critically short. The mining industry of eastern Canada took men with that interest and training. A big newsprint producer in British Columbia offered a vacated construction camp, living and teaching facilities; 294 students, faculty members and their families accepted. The federal government pays for their food, three dollars a day per person. During summer months, students will work, at regular wages, with the Provincial Forestry Service, various companies in the lumbering industry, and the Federal Science Service. It is planned to incorporate the school and present students into the University of British Columbia.

30 Hour Week

35



50

60

When—and at what cost?

by Robert Lekachmar.

MANY YEARS AGO, Samuel Gompers the founder of the American Federation of Labor, was asked what labor wanted. "More," he said.

A half-century of economic progress has given dramatic and varied expression to the Gompers "More." The unions no longer have such obvious things as brutal poverty to fight; they are sometimes forced to seek and define issues. Consider the content of labor's "more" today:

- *Wages.* National output tripled between 1899 and 1939. Two-thirds of this gain appeared in the form of higher incomes for workers—a progress interrupted only by periods of depression.

- *Leisure time.* Between 1870 and 1950 the number of working hours per week declined on the

average of five per cent every 10 years. Of course, this trend, although unmistakable, was not even. While some unions were pushing ahead much more rapidly, the 12-hour day in steel, for example, ended only during the administration of President Harding.

- *Paid vacations and holidays.* Rare before 1940, paid vacations are now quite common. Indeed, the two-week vacation is now rapidly giving ground to the three-week vacation, and the number of paid holidays is constantly increasing.

- *Fringe benefits.* Health insurance, lay-off provisions and old-age pensions represent a great improvement in the security of the working man.

Dull statistics tell a fascinating story of continuous improvement

not only in the material consequences of work, but also in the very quality of human existence. It should be remembered, however, that this improvement is the spectacular result of unspectacular changes. The increase in productivity, bringing about this new way of life, has been the result of better machinery, more effective managerial techniques and the skilled cooperation of an increasingly well-educated labor force. Yet the combined effort meant a general rise of *only two per cent per year*. It is out of this improvement in productivity that labor's real gains came.

Pressure for leisure

How we use these productivity gains, however, is up to us. Do we want higher real income? Do we want more leisure time? Do we want a more productive economy based on large-scale technological investments so that our children and grandchildren will have a bigger economic pie to divide? Like Samuel Gompers, most of us want "more" of all of this.

Right now, labor leaders are pressing for more leisure. A number of them have specifically demanded a 32-hour week—or a four-day work week—for their industries. George Meany, President of the AFL-CIO, has predicted that all Americans would be on the 30-hour work week by 1980.

But nobody wants only shorter hours. If reducing the working hours were the *only* goal of society, then an annual two per cent productivity increase would just about pay for a reduction in the working week of 48 minutes per year. This would mean no higher real wages and no price reductions. Even more important, it would make future benefits impossible, since it would leave nothing for the reinvestment so necessary to increase productivity. Without continued productivity increases, there can be no "more" for labor.

There is a danger as far as unions are concerned. Internal union pressures and interunion rivalries could tend to push wages up and hours down more rapidly than productivity rises. Faced with high union demands, companies are tempted to accede during periods of prosperity, passing on the higher costs to the consumer. The result would be an inflationary cycle, if generalized.

The proper solution to the dilemma lies in our getting all the favorable results of rising productivity in the *right proportion*. Excessive emphasis on leisure would tend to reduce its value to us because we would lack the income to enjoy it properly. A general price reduction would do us only limited

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good if we lacked the leisure time to take advantage of it. Single-minded concentration on improving productivity would mean trouble because a lack of money with which to buy things (and of time in which to enjoy them) would result in a state of over-production. Thus our enjoyment of any one gain is dependent upon our enjoyment of others, too.

Paying the price

Consider the effects of increased leisure. Actually, we could have a 32-hour work week right now—if we were willing to pay the price. Perhaps the best illustration of the possible price is given by our experience in the past. Our rise in living standards has been made possible by an average annual productivity increase that has been calculated at two per cent for the nation as a whole. Results of this productivity rise between 1929 and 1950 included a drop in weekly working hours from 50.6 to 42 and an increase in per capita personal income from \$990 to \$1,490, in 1950 prices. Had the workers continued their 1929 work week in 1950, the personal income figure would have been \$1,795. Thus, the new leisure was purchased at a per capita cost of \$305 per year.

These calculations are not completely accurate because all other factors do not remain equal and because per capita personal income

is not identical with the worker's income. The figures thus ignore the effects of fatigue and the possibility that working time reductions stimulated productivity and investment.

The future is much more conjectural, but we can make intelligent guesses. Let us assume that productivity will continue to rise at an average annual rate of two per cent. Keeping our dollar values on a base of 1950 prices, let us assume a gradual reduction of working hours per week to 38.5 in 1960, 37.6 in 1965 and 36.9 in 1970. This will result in per capita personal incomes for those years of \$1,672, \$1,809 and \$1,956.

Now let us speed up the reduction of working hours in our assumption to 36.8 in 1960, 34 in 1965 and 30 in 1970. The personal income figures for those years would then be \$1,581, \$1,606 and \$1,560. Thus a seven-hour difference in the assumed working week for 1970 would cost an average personal income of \$396.

These projections are, of course, highly speculative. Wars, depressions and other events could change matters drastically. But the figures do suggest possible rhythms of working week reductions and the approximate costs in terms of personal income.

Despite recent union statements about working time reductions, no responsible labor leader has ever

suggested that unions concentrate on leisure to the exclusion of income. A well-run union takes a longer view of the bargaining situation and considers more possibilities than the individual worker is likely to do. Its demands will reflect not only the preferences of union members, but also the union's evaluation of economic trends.

Will unions continue to demand a reduction in the work week? The answer to that question is clearly yes. The historical trend supports the belief that hours can and will be further reduced. In the last century the number of hours worked in manufacturing has dropped on an average of three hours per decade. Many of these gains occurred while unions were still comparatively weak. Considering the great increase in union influence, it would be unrealistic to assume that the trend will change.

Desire for overtime

It would be equally unrealistic, however, to suppose that labor's interest in a shorter work week necessarily reflects a preference for increased leisure over increased earnings. It is true that the garment industry is an example of a manufacturing area where the greater emphasis is on working time reductions. But here is a case where the high percent-

age of women workers with family responsibilities means a disproportionate desire for the shorter work week.

On the other hand, unionized printers are eager to work extra hours at *overtime pay rates*. In such industries the continuing pressure for shorter hours—the printers' work week is about 35 or 36 hours—is motivated by the desire *for more income* in the form of premium rates of pay.

The rubber industry is the only mass production industry staffed largely by men which has experimented with the shorter work week. From the early 1930s on (except for the war years), Akron and Detroit plants worked a six-hour day, six days a week. The experiment was not a success, and the union decided last year to eliminate the shorter day in favor of an industry-wide eight-hour day and five-day week. The rubber workers had been unwilling to enjoy all of their leisure time, for most of them had taken on extra jobs. Like the printers, they had decided for the cash.

The unions have other objectives in mind besides more leisure or more pay. They also want job security. One way of achieving this, particularly during depressions, is to "spread the work." Automation and technological unemployment are ghosts that continue to haunt union leaders. A shorter

work week, they reason, is one way of making sure that our ability to produce does not overtake our capacity to consume.

The motive behind the drive for shorter hours is, of course, more important in some industries than others. David McDonald of the Steel Workers has shown little interest in the time element. He feels safer because the steel industry has vast sums tied up in present production techniques and shows little sign of junking expensive equipment in favor of automated devices. The textile industry, on the other hand, will see great losses if it fails to modernize. Here the union may very well seek shorter hours as a way of cushioning the necessary shock of technological unemployment.

Certainly some of these fears seem to be unfounded. Up to now, automation has not produced the unemployment that many feared. Indeed, in some industries, notably baking, automation has actually increased the number of available jobs.

One thing seems clear. It is unnecessary to "spread the work" at a time like the present, when employment is high and workers and not work are in short supply. Thus pressure for this reason for shorter hours will tend to diminish if we maintain present levels of economic activity.

But this does not mean that the drift towards shorter hours will cease. Labor will continue to seek them as one way—out of many—of sharing in America's progress. It would seem, although the record is not at all clear, that the unions have recently sought the rewards of productivity somewhat faster than production increases warranted. The danger of inflation remains.

But there is a happier prospect. It is that the gains of productivity will be divided in such a way that workers will enjoy more leisure and more real income—and that they will be able to look forward to "more" of these things for their children and children's children. ■



Answers to Challenge Quiz

- | | |
|----------------------------------|----------------------------------|
| (1) False (<i>see page 46</i>) | (7) False (<i>see page 13</i>) |
| (2) False (<i>see page 23</i>) | (8) False (<i>see page 32</i>) |
| (3) False (<i>see page 18</i>) | (9) False (<i>see page 68</i>) |
| (4) True (<i>see page 58</i>) | (10) True (<i>see page 37</i>) |
| (5) True (<i>see page 8</i>) | (11) True (<i>see page 28</i>) |
| (6) False (<i>see page 50</i>) | (12) True (<i>see page 63</i>) |

Economic Reasoning

Some pitfalls, some guides—and the limits of “scientific” economics

by Haig Babian and Martin Kessler

MAN HAS MADE tremendous advances in his ability to discriminate between truth and error. This is particularly true in the physical sciences, where an entire methodology for testing theories—even hunches—has been devised. Physicists may disagree, but such disagreement rarely persists for long because there are proved methods for testing disputed hypotheses. In the physical sciences, much of the methodology of straight thinking has universal acceptance.

In economics, no such universally accepted criteria for testing hypotheses have yet been developed. Economists cannot even agree on the statistics or precepts which must guide their thinking. Take, for example, the question of secular inflation, which we shall define here as a moderate but con-

stant increase in the long-run price level resulting from the government's unwillingness to chance deflation or unemployment. Is this kind of inflation economically desirable? Not only do economists disagree on the answer to that question; they cannot even reach agreement on the criteria to be used to arrive at an answer. Using the same data, they will frequently reach opposite conclusions.

Why should economists find it so difficult to agree on what constitutes economic truth? Why have they been unable to devise economic theorems as universally applicable as the laws of physics? The answer to this question is crucial to our understanding of economic reasoning.

Probably the basic difficulty in reasoning about economics is that unlike the natural or physical sciences, economics seeks to define and describe an unnatural system which man himself has devised. In economics it is well nigh impossible to separate ourselves from what we are studying, for the economic system in which we live is a creature of our own imagination, an expression of our own desires and quite as unpredictable and indefinite as our understanding of ourselves. In a very real sense we are forced to operate without laboratory controls, and we are limited by the considerations we must give to the subjective values

which motivate us. In physics, for example, no one asks whether the law of gravity is good or bad. But in economics, not even the most detached economist can avoid discussing the efficiency of the system which he seeks to describe. Therefore, from the very beginning the economist loses control of his scientific experiment; for our notions of efficiency are, after all, based upon our understanding of what constitutes the "good" society. Efficiency can be judged only in terms of ends, and the ends of economic activity are a matter of choice.

Economic activity

In a sense, then, every man must be his own economist—at least in a society like ours where the electorate is free, in the market place as well as at the polls, to choose the goals of economic activity. Unhappily, being one's own economist is not as simple as it may first appear to be. Since all of us are involved in economic activity—as workers, consumers, investors, and so on—it is only natural that we should seek to relate our own individual experience to the economic system at large. Common sense seems to dictate that what holds true in our homes should hold true in the nation.

Experience, however, can be a misleading teacher, and common sense, in order to make sense, must

often be combined with uncommon thinking. The visual experience of a man in the Middle Ages led him to believe the common sense notion that the world was flat. Today, of course, even a schoolboy can see evidence (a ship coming "up" the horizon, for example) which indicates the world is a sphere. Thus, visual experience can be reinterpreted in the light of better knowledge.

Similarly in economics, it is dangerous to relate individual experience to the functioning of the economy. The image we have of our economic role is merely a reflection from one side of the economic coin. When we think of debts, we do not usually think of assets; when we think of buying, we do not always think of selling; when we think of saving, we do not spontaneously think of investing. Yet, if we are going to understand such economic phenomena as credit or exchange, we must grasp the essential duality of economic concepts. In our personal financial affairs, it is not of great interest to us, when we borrow, what the man who owns our debt is going to do with what *he* considers to be an asset. As economists, or as people who apply reason to economic problems, we simply cannot ignore this question. And if we do not ignore it, our attitude toward the concept of debt will be different from that of the

man who merely wants to buy a refrigerator on time. True economic reasoning requires that we see the macroeconomic consequences as well as the motive behind the microeconomic, individual, action.

The common good

It is difficult to recognize that one's own interests are not always identical with society's, for nothing is easier to do than to generalize the common good in terms of our own good. What passes for common sense is often a mere rationalization of what we believe to be our own best interests. In the long run, the common good *is* in our own interest. In the short run, however, it often is not. And it is the short run that moves us most effectively, since few of us can resist the logic of Keynes' argument that in the long run we are all dead.

There is another difficulty that most of us encounter when we try to think about economics—namely, our tendency to find similarities where in fact no similarities exist. False analogy would occupy a prominent place in any catalogue of fractured logic. The tendency to judge a government budget according to the same criteria applied to a household budget is a case in point. To be sure, there are certain important similarities. Both budgets attempt to relate income to outgo, revenue to expendi-

ture. But there the similarity ends. A family's ability to finance extra expenses from sources outside of income is strictly limited. Even more important, a family cannot control the economic climate which prevails during the period of repayment of the loan. It cannot devalue the dollar, nor can it resort to deficit financing. The government can do these things, and it can do them for either economic or uneconomic reasons—sound or unsound. Therefore, to view the problems of government debt in the same light as individual debt is not economically reasonable.

To think about economics is essentially to think about ways in which man's unlimited desires can be adjusted to his limited resources. Every economic problem and question presents a series of possibilities from among which we must make a choice. Economic reasoning requires that we know what we want, something we do not always know, that we correctly assess the cost and be willing to meet it. The kind of economic questions most of us are confronted with—taxes, inflation, budgets, and the like—differ from the kind of problems that confront the physicist. The latter must choose between truth and error. Therefore, he really does not have any choice at all. But where the ordinary man is asked to partici-

pate in the economic problems of the day and throw his weight of opinion in this direction or that, he is being asked to make a choice from among many ways of organizing an economic system.

Do we want shorter working hours today, or more purchasing power today? Do we want to pay the price of a guarantee of full employment? Economic reasoning can tell us that a choice must be made; but it cannot dictate a true, a "scientific" decision. Economic reasoning can tell us what the consequences of this choice or that may be, but the final decision will have to be made by us according to what we would like to have, or what we would like to avoid. All that sound economic reasoning can do is to enlarge the area of the choices we have. In a sense, it compounds the problem, for the more we know the more difficult it becomes to make a pat decision. But most of us should be willing to meet this challenge, unless one subscribes to the theory that ignorance is bliss.

No set rules

There are, of course, no set rules to follow in sound economic reasoning. On the other hand, there are certain questions that we can ask ourselves while making up our minds about economic issues.

- Do the facts as they are presented really mean what they say?

When, for example, we are told that the average income in 1950 was \$1,490, what does this actually mean? Such a statistic does not tell us anything about income distribution, since this average is just the total personal income divided by the total number of people. Nor does it tell us anything about the income of households, the units through which most people spend disposable income and by which living standards should be measured. Nor does it tell us the income of wage earners, another important index of a nation's standard of living. Yet, how often we have been asked to make decisions about economic issues on the basis of just such inadequate data!

- How does my personal interest relate to the general interest? Sound economic reasoning does not imply that personal interest is always at variance with the general interest. In the long run, of course, the two tend to become one; in the short run, they may be diametrically opposed. A tax reduction is always to our immediate advantage; but not if the result is inflation, a weakening of defense requirements or an increase in the deficit of the federal budget. Seeing the national costs, if any, of a short run personal gain is one of the first requisites to sound economic reasoning.

- What are, in fact, the possi-

ble courses of action? This is a crucial question. Often we are presented with completely bogus alternatives. A balanced budget, for example, is not always a rein on inflation. A large balanced budget can be more inflationary than a small unbalanced budget. The alternative to a full employment policy need not mean mass unemployment; attaching a label to a policy does not make that label a reality. The most important and the most difficult task confronting those who would think intelligently about economic problems is to get at the real issue at stake, so that an effective choice can be made

We can now make explicit some thoughts which have remained implicit throughout this discourse on

economic reasoning. We can accept the fact that the subject matter of economics does not require a change in the proved principles of logical reasoning. We can also accept the fact that scientific method is possible and necessary in the gathering and processing of economic data. But our inevitable conclusion is that economics is not yet a science in the sense that physics is, and we doubt that it ever can be. For what economics seeks to uncover is not nature's irrevocable truths, but rather the dimensions of man's desires and ultimate values. Economics is not a science of absolute truths, but a guide to relative wisdom. The master of economics is man, and he can never master anything more than he masters himself. ■



Descriptive Economics and Analytical Economics

THERE ARE two approaches to the study of economics: the descriptive or institutional approach and the analytical approach. The former stresses description of the structure and functioning of the economy rather than explanation of the forces which control its operation. . . . Thus, for example, descriptive economics indicates the nature of labor organizations and the manner in which collective bargaining operates. But it does not seek to explain why wages come to certain levels or whether wage increases produced by union activity are likely to cause unemployment. . . . In contrast, the analytical approach emphasizes the explanation of *why* the economy operates as it does; it utilizes descriptive data only as a basis from which the analytical structure is developed. It seeks to . . . discover the principles under which the system operates. . . . Instead of merely noting data of actual prices and describing techniques of businessmen in setting prices, economic analysis seeks to explain what determines the levels to which prices come, under various conditions.

John F. Due, *Intermediate Economic Analysis*, 1950 (p. 3)

Smooth Finish to A Knotty Problem

by Bernard Hewitt

How three small businessmen did some "big thinking"

THIS IS the testament of a small businessman. I am not a professional writer, but I shall describe as adequately as I can the circumstances of an "agonizing reappraisal" that came to a climax for my two partners and me a little more than one year ago.

The plywood business is important to me, just as the work of others is important to them. Multiply the effort that I must put into my plywood business by the efforts of all the millions of other people who earn a living and you encompass the whole of human endeavor in the United States of America. In this context, what happened to me and my associates, in the circumstances that I am about to describe, should be of interest to anyone who gives some thought to our economic community.

My partners and I were fortunate in that we were engaged in a growth business. We started the Industrial Plywood Company fourteen years ago with 5,000 dollars in borrowed capital. By 1949 our annual volume of business had reached the 700,000-dollar level. Five years later our volume stood at 1,800,000 dollars. This meant that we were an up and coming business in an industry which had shown some fantastic growth in less than two generations. The future looked promising. Plywood, which began as a new and untried by-product of the lumber industry, had gained unquestioned respectability and a variety of uses in a volume undreamed of only a decade ago. The Stanford Research Institute reported that in 1952 the consumption of softwood plywood had reached 3.3 billion square feet. The

projected consumption for 1965 was put at 5.5 billion square feet; and in 1975, 7.5 billion. The same report indicated the consumption of hardwood plywood would enjoy a two-fold increase between 1952 and 1975. So our growth, as suppliers and distributors of plywood, was in keeping with the growth of the plywood market. By June 1955 our volume was going at the rate of 2,400,000 dollars a year. We were then faced with a knotty problem. We had to make a choice: to expand our business, or to stand pat.

Used to thinking big

I have always had the feeling that one never really has to do anything except die. The decision we had to make, I suppose, was something on the same order. It has always been an easy thing for big businessmen to think in terms of automation, huge capital improvements, and the like. It is easy for them because they are used to thinking big, but it is harder for the small businessman. After being in business for 12 years, we suddenly discovered that we had become small capitalists in a swiftly growing industry. But it was proving more and more difficult to withstand the constant pressures of growth. We were running out of available capital, running out of space and running out of horizons. The next logical step should be

another plant. That would cost a great deal of money. Should we sit back and wait until we had accumulated it? Uncle Sam won't allow the accumulation of too much capital too rapidly these days. Should we wait until we were 50, 60, or 70? We had acceptance in the marketplace. We didn't want to retard our growth, particularly since large competitors were taking full advantage of the industry's expansion. They had mountains of public capital, both debt and equity, from which to draw their needs.

In the plywood business, the kingpin is the man who distributes the plywood. This is unusual, because in most businesses the manufacturer is the big man. Today, you either own timber or distribute the material. Almost anyone can manufacture. But getting it to the market properly and intelligently is the big problem. This is our business.

Now, let us say there are a thousand customers clamoring for plywood. They will want a variety of stuff, all the way from a cheap crating panel to a very high quality piece of teakwood, ranging in price from four cents per square foot to two dollars per square foot. Those who can service these particular one thousand customers get

Bernard Hewitt is Chairman of the Board and Treasurer of Industrial Plywood Company, Inc.

the lion's share of the available business. Those who cannot, get the leavings. A small businessman, because of his limitations of capital, his limitations of space, organization and concept, can handle only those products which are easy to obtain and easy to sell. He can service only a small part of the potential market.

I think we could have continued to make a pretty good living if we had not decided to expand. But business isn't a matter of money only. There are other considerations and other values. I suppose size is one of them, and pride of accomplishment is another. Most businessmen have these feelings, in varying degrees, of course.

Had to do something

So, by May of 1955 we decided that we would have to do something. The feeling was that we ought not to let our business run us. We ought to run our business. We felt, and still do feel, that small business isn't doomed; it's the small-thinking businessman who is doomed. The correct attitude is crucial. For instance, there is a small thing like the IBM punch card system. I venture to say that if 100 small businessmen saw this gadget at work, their first reaction would be, "This isn't for us." Well, we bought a machine and made the punch card system part of our business. The machine will

do our inventory control, our billing and our accounts receivable. It gives us facts we need quickly. It will allow us to make decisions tomorrow morning on things that should be decided tomorrow morning, not a month from now when our accountants get around to telling us what happened two months ago.

So we decided to think like big businessmen. My partners and I picked each other's brains and perhaps at times tried each other's patience. You see, when there are only three partners in the business, there are many things to be thought over when the alternative being considered is whether we could learn to live with another 500 partners.

We decided to take the plunge. And then began the hardest work we've ever had to do in all our lives. Would it be a successful stock financing? Would the public see the same potential in our stock that we saw in it? Would people believe what we were telling them? Could we live up to our promises?

We made the rounds of everyone we knew in financial circles, from bank vice presidents down to customer's men in various brokerage houses, and finally selected a comparatively small underwriter who would handle a small offering. Then we learned what the initials SEC mean. There would be a few

simple forms to fill, our lawyers informed us, which actually took many months to complete before we could file a short form registration with SEC. And even though we put on our offering circular the oft-repeated phrase that the SEC "neither approves nor disapproves" of the securities offered therein, that was the understatement of the generation. The SEC wants to know *everything* so that the investing public will be aware of all the pertinent facts.

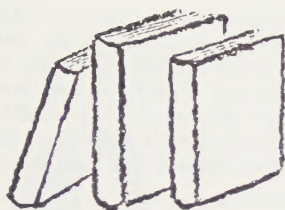
On December 19, 1955 the issue was launched. There was a fast flurry of shares sold. Ninety thousand shares were gone in a couple of weeks. The last ten thousand were a little tougher to sell. But they did sell, and the way it wound up was that a lot of people seemed to share our confidence in Industrial Plywood Company, Inc.

Then came the mental adjustment we had to make. We had to act like big businessmen. Ordinarily, I would sacrifice a few cents per share and take two vacations a year. Now I am lucky if I can get in one, because I have a responsibility to my stockholders. We began to look into our internal organization, realizing that we would have to build that up before we could start adding to the business itself. We learned the advantage of delegating authority. We began to operate with a man-

agement council and held regular meetings of key personnel. We have a Board of Directors which meets regularly to look at company policy. We had none of these things before. We are now thinking in terms of a year or two from now, not just next month, because we know that anything we project we can probably manage. We just opened a new distribution plant in New Haven. We are thinking actively in terms of several new products, and the manufacture of them, as well. We are thinking and acting like a big company.

There are problems, of course. What happens to those trips to Florida, or to a son who may some day grow up in the business? There are personal problems that you will never see in a financial report or in the history of a big company. But such problems had to be weighed against larger considerations. What is this little business which is so much like a child to us, which we have nurtured and raised to a point where now it is an adolescent? It cannot become an adult unless we are willing to give part of it away.

People ask me, "Was it worth it?" The answer to that is an unqualified "Yes." What my partners and I decided to do was good business. This is business in mid-twentieth century America. Good businessmen keep up with the times. ■



READING REPORT



Executive Decision Making. Manley Howe Jones. 485 pp. Homewood, Ill.: Richard D. Irwin, Inc. \$7.20.

• A business executive has been defined as a man who makes quick decisions and is sometimes right. Though primarily a business college text, this volume is also intended to help executives make correct decisions. It covers the problems and techniques of decision making, methods of getting decisions accepted by others, and the details involved in achieving a successful outcome of plans. The author is associate professor of business management at the Illinois Institute of Technology.

* * *

Climate and Economic Development in the Tropics. Douglas H. K. Lee. 182 pp. New York: Harper & Brothers, for the Council on Foreign Relations. \$3.50.

• Efforts to advance the economic standards of underdeveloped parts of the world meet special difficulties in the tropics, where 30 per cent of the world's population lives in a wide variety of environmental and cultural circumstances. This book presents a precise study of these circumstances and the problems arising from them. Climate, a central factor, is given major attention, but nonclimatic difficulties are also discussed. An in-

tegration of present knowledge on the subject, the book will be an effective guide and stimulus to further study and action.

* * *

The Unadjusted Man: A New Hero For Americans. Peter Viereck. 332 pp. Boston: Beacon Press. \$5.00.

• A subheading describes this book as "Reflections on the Difference Between Conforming and Conserving." Mr. Viereck might be described as a neo-conservative, in the sense that he believes that the ever-changing standards of society should constantly be held up to the light of ultimate values. He wants to see a society of self-reliant people who are adjusted to these ultimate values, and thus, "unadjusted" to the whim of day-to-day standards. But his manner is too often glib and facetious. His book seems to be in danger of encouraging the very attitudes of superficial thinking that he derides with such gusto.

* * *

The Age of Roosevelt: The Crisis of the Old Order. Arthur M. Schlesinger. 557 pp. Boston: Houghton Mifflin Company. \$6.00.

• This is the first of four volumes on *The Age of Roosevelt* by one of our

foremost historians, who is professor of history at Harvard. It carries the story up to F. D. R.'s inauguration in 1933. About two-thirds of the book describes the times during which Roosevelt was being groomed (or grooming himself) for the Presidency. Prof. Schlesinger writes very well, and his account of Wilson's "reformers," of the not-so-gay Twenties, and finally, of the depression breadlines makes absorbing reading. An obvious admirer of Roosevelt, he is often less than objective, and many of his conclusions will be questioned by scholars. Also, the book would have been improved if the last and largely biographical section had been more closely integrated with the historical discussion that precedes it. All in all, however, this is an excellent book, and while it does not constitute the last word on Roosevelt, we doubt that the last word will ever be written.

* * *

The Organization Man. William H. Whyte, Jr. 429 pp. New York: Simon & Schuster. \$5.00.

•This is an absorbing account of the steadily increasing emphasis on "togetherness," which marks middle-class American life. The author describes its manifestations in the corporation—in executive training and the trend toward more psychological testing and less aptitude testing in selecting personnel; in science, where the ability to work with a team is taking precedence over creativity; in education at all levels, where subject matter is supplanted by practical and social skills; and in suburban life. Mr. Whyte views this with alarm, not because he undervalues mutual understanding but because where there is togetherness there is

also the pressure to conform. And the stronger the emphasis on harmony, the more conformity, until independence and creativity are seriously dulled whenever they conflict with the community's views, as the most creative ideas often do.

* * *

Womanpower. National Manpower Council. 371 pp. New York: Columbia University Press. \$5.00.

•The great increase in women's employment in business and industry since the turn of the century has brought on a revolutionary change, with far-reaching economic and social consequences. *Womanpower*, the latest volume in the series of studies of manpower problems, is a report on the facts and problems of this new situation. The main body of the book, contributed by the staff of the National Manpower Council, is devoted to a close analysis of various aspects of the role of women, present and probable, in the labor force. It includes recommendations for more effective utilization of womanpower.

* * *

Since 1845: A History of the Mutual Benefit Life Insurance Company. Mildred F. Stone. 236 pp. New Brunswick, N.J.: Rutgers University Press. \$4.50.

•The fact that company histories are usually mere tabulations of parochial and prosaic facts should not prejudice the reader against *Since 1845*. This book has enough substance and flavor to make it a notable exception. A rich background of anecdotes keeps Miss Stone's story lively—Custer's last stand, for instance—and it is well illustrated. ■



Challenge Quiz

HOW WELL can you do with this true-false quiz? Test your ability to increase your knowledge through reading. Ten correct answers is Excellent; 9, Good; 8, Average. If you do the quiz *before* reading the articles, 6 correct answers is Good. Answers on page 67.

- | | |
|--|--|
| <p>(1) A major change in the apportionment of productivity gains is called for by recent economic experience.
True ☐ False ☐</p> <p>(2) The Eurafrica Plan aims at eventual termination of colonialism in Africa.
True ☐ False ☐</p> <p>(3) Book reading among children has decreased since the advent of television.
True ☐ False ☐</p> <p>(4) Of our present population, about one-quarter is foreign born.
True ☐ False ☐</p> <p>(5) The gulf between leaders of the large unions and their membership has contributed to union corruption.
True ☐ False ☐</p> <p>(6) A mediator has the power to settle the labor-management disputes submitted to him.
True ☐ False ☐</p> | <p>(7) Today's requirements for skilled workers are higher than those of 50 years ago.
True ☐ False ☐</p> <p>(8) The advertising of new and improved products is necessary for an expanding economy.
True ☐ False ☐</p> <p>(9) In thinking about economic issues, one should always be guided by personal experience.
True ☐ False ☐</p> <p>(10) A long-term wage-price inflation forces a comparable inflation of interest rates on long-term debts.
True ☐ False ☐</p> <p>(11) An economy which ties wages and income closely to the cost of living invites inflation.
True ☐ False ☐</p> <p>(12) Wage increases, shorter hours and reinvestment must be kept proportional to productivity gains for sound economic growth.
True ☐ False ☐</p> |
|--|--|



Dept. of Better Mousetraps

From the World of Industry: to increase parking-meter revenues, an easily installed photo-electric device that sends a meter's pointer back to zero when an auto leaves before its paid-for parking time has elapsed . . . for installations far from electric power sources, bright lights powered by radioactive gas, which last up to 10 years . . . a black plastic cover that makes a silo in the harvesting field . . . a portable, closed-circuit TV camera to assemble yourself . . . a direct-mail advertising piece containing a simple phonograph, needle, amplifier and unbreakable record . . . and a telephone attachment that remembers hundreds of phone numbers. Turn a crank to the name you want, press a button and it dials the right number.

* * *

Father's Day Special: a 14-car-at gold toothpick in a leather case . . . for the surf fisherman or duck hunter, a folding stool that doubles as a carry-all for gear . . . a cool, one-ounce plastic hat in several styles including a baseball cap . . . and a raised relief map of the world, 61 by 42 inches, printed in 10 colors on vinylite, which names 2,000 towns and cities and shows mountain ranges, bodies of water, railroads, airports and elevation.

* * *

On the Waterfront: a prefabricated float which comes in three

sizes . . . an inflatable beach-ball showing the countries of the world in brilliant colors . . . for skin divers, a battery-powered metal detector to locate motors, anchors and the like . . . an aluminum-frame, folding, boat seat with a foam rubber cushion . . . a bilge pump powered solely by the rock and roll of the boat . . . and a prefabricated swimming pool, including filtration and recirculation system.

* * *

Car Gadgets: for campers, a complete kitchen unit with storage space, water tank and sink with pump faucet and a two-burner stove. It comes in sizes to fit the body styles of several makes and years of station wagons . . . a pencil-shaped gadget that counts the miles as you trace your route on a map, and can be set to any scale . . . a two-wheeled camping trailer with sleeping space for six adults . . . and an air conditioner only seven inches high to fit the dashboard of almost all models and makes of passenger cars, station wagons, pick-up trucks and even some sports cars.

* * *

In the Garden: for barbecues, beach parties and any other outdoor use, a rustproof aluminum camp light on a black wooden pole. It burns for 12 hours on one kerosene filling . . . and candles that repel insects within a radius of three feet. ■

